AR80

Canada Trustco
Annual Report 1982

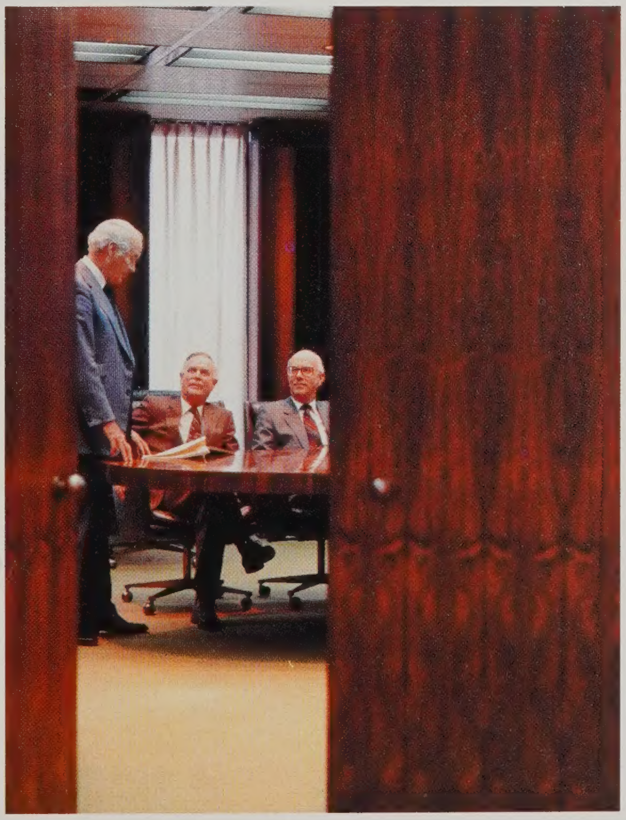
CONTENTS

FOCUS ON DIRECTORS

A strong, involved board is a Canada Trust hallmark.

Directors work diligently with singular purpose to develop corporate policies, goals and objectives as well as approve operating targets and monitor performance.

Sound board judgment is the sum of individual contribution. Members bring to deliberations diversified business and personal experience. This year's report focuses on the personal side by featuring one of several off-the-job interests of each director.



The 119th annual general shareholders' meeting: 11 a.m., Tuesday, February 22, 1983, Royal York Hotel, Toronto. This is the first time the meeting has been held in Toronto, providing an opportunity for attendance by shareholders and others finding travel to London inconvenient. The 1984 annual meeting will be in London.

Preference shares series G and common shares are listed on Toronto, Montreal and Alberta Stock Exchanges.

V-Day valuation of common shares as at December 22, 1971 is $25.00.

Head Office: Canada Trust Tower, 275 Dundas Street, London, Ontario, Canada N6B 3L1.

Executive Office: Canada Trust Building, 110 Yonge Street, Toronto, Ontario, Canada M5C 1T4.

Member of The Trust Companies Association of Canada.

Additional information on the company is available by writing or phoning C.R. Clarke, Vice-President, General Counsel and Secretary, Canada Trust Tower, 275 Dundas Street, London, Ontario, Canada N6B 3L1 (519) 673-6157.

DIRECTORS

After each name, age and number of years service as a Director are shown. Average age is 59 and average service is 10 years.

J. W. ADAMS (58-2)
London
President
Emco Limited

A.E. BARRON (64-22)
Toronto
Chairman
Canadian Tire Corporation Limited

WALTER J. BLACKBURN (68-27)
London
Chairman & Publisher, London Free Press Printing Company Limited

RUDOLPH P. BRATTY (50-6)
Toronto
Barrister and Solicitor

JOHN B. CRONYN (62-11)
London
Corporate Director and Consultant

FREDERICK W. DAKIN (57-8)
Hamilton
President and Chief Executive Officer
The G.W. Robinson Company Limited

G.H. DOBBIE (64-12)
Cambridge
Chairman, Glenelg Textiles Limited

ERIC F. FINDLAY (56-6)
Toronto
Chairman and Chief Executive Officer
Silverwood Industries Limited

REFORD GARDHOUSE (66-5)
Milton
Corporate Director

WILLIAM D. GRACE (47-1)
Edmonton
Senior Vice-President, Finance
Canadian Utilities Limited

W. HOWARD HEMPHILL (66-12)
Stratford
Chairman, Krug Furniture Inc.

J.T. HILL (50-1)
Kitchener
President and General Manager
Economical Mutual Insurance Company

ELMORE HOUSER (70-14)
Toronto
Barrister and Solicitor

MRS. BERYL M. IVEY (58-2)
London
Vice-President and Director
The Richard Ivey Foundation

M.L. LAHN (49-5)
London
President and Chief Executive Officer
Canada Trustco

TOM LAWSON (67-27)
London
Colonel of the Regiment
Royal Canadian Regiment
Honorary Chairman
Lawson & Jones Limited

F.T. METCALF (61-3)
Puslinch
President and Chief Operating Officer
Maclean Hunter Limited

ARTHUR H. MINGAY (63-19)
Toronto
Chairman of the Board and the Executive Committee, Canada Trustco

KENNETH G. MURRAY (58-7)
Kitchener
President, J.M. Schneider Inc.

CARL O. NICKLE (68-13)
Calgary
President, Conventures Limited

JOHN H. PANABAKER (54-4)
Waterloo
Chairman and Chief Executive Officer
The Mutual Life Assurance Company of Canada

D.H. PARKINSON (57-3)
Vancouver
Senior Vice-President and Chief Financial Officer, Westcoast Transmission Company Limited

W.J. STENASON (52-11)
Calgary
President, Canadian Pacific Enterprises Limited

H.R. STEPHEN (69-3)
Victoria
Corporate Director

R.W. STEVENS (56-13)
Toronto
Barrister and Solicitor

J.D. STEVENSON (53-12)
Toronto
Barrister and Solicitor

PETER N.T. WIDDRINGTON (52-8)
London
President and Chief Executive Officer
John Labatt Limited

EXECUTIVE COMMITTEE

A.H. Mingay, Chairman
A.E. Barron
J.B. Cronyn
F.W. Dakin
M.L. Lahn
T. Lawson
J.H. Panabaker
W.J. Stenason

NOMINATING COMMITTEE

A.E. Barron, Chairman
J.B. Cronyn
F.W. Dakin
T. Lawson
J.H. Panabaker
W.J. Stenason

AUDIT COMMITTEE

J.W. Adams, Chairman
R.P. Bratty
J.B. Cronyn
F.W. Dakin
R.W. Gardhouse
T. Lawson

COMPENSATION/HUMAN RESOURCES COMMITTEE

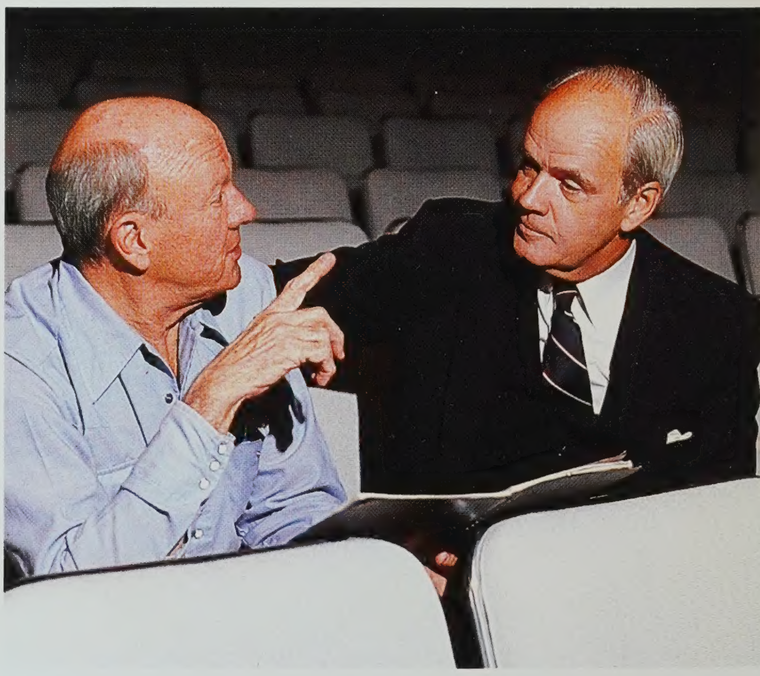
J.H. Panabaker, Chairman
A.E. Barron
F.T. Metcalf
W.J. Stenason
R.W. Stevens
J.D. Stevenson

HONORARY DIRECTORS

Honorary Directors neither attend meetings of the Board, nor receive remuneration.

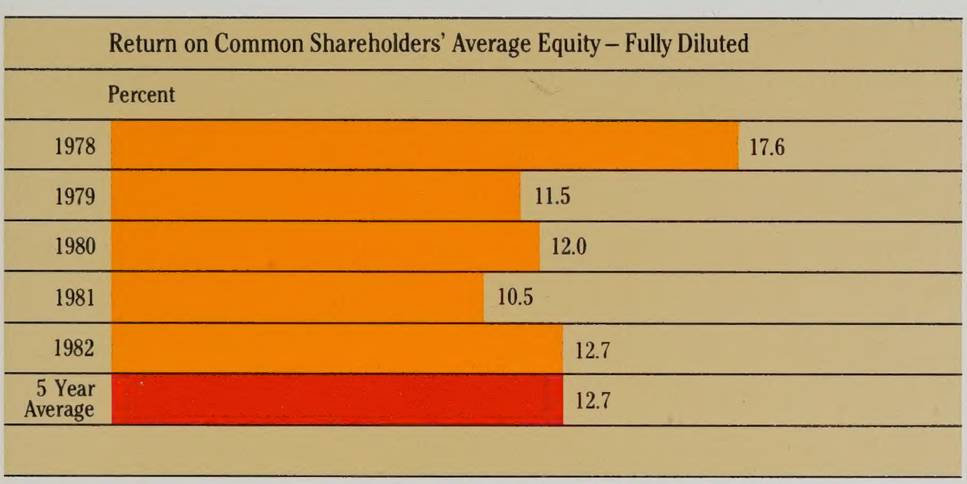
J.A. TAYLOR, Honorary Chairman
W.A. BEAN
W.J. BEATTY
HENRY BORDON
C.W. BRAZIER
HUGH CAMPBELL
J.V. CLYNE
T. EDMONDSON
W.W. FOOT
J.D. HARRISON
A.H. JEFFERY
K.R. MacGREGOR
O.E. MANNING
C.A. MARTIN
H.S. MATTHEWS
H.L. McCULLOCH
D. McINTOSH
M.C.G. MEIGHEN
L. RASMINSKY
G.E. ROBERTSON
E.G. SCHAFER
J.W. SCOTT
G.E. SHARPE
W.H. SPRAGUE
J.J. STUART
NOAH TORNO
A.S. UPTON
A.E. WALFORD
J.D. WILSON
R.B. WILSON

As a member of the board of governors and executive committee, Arthur Mingay was actively involved in development of Toronto's new Roy Thomson Hall.



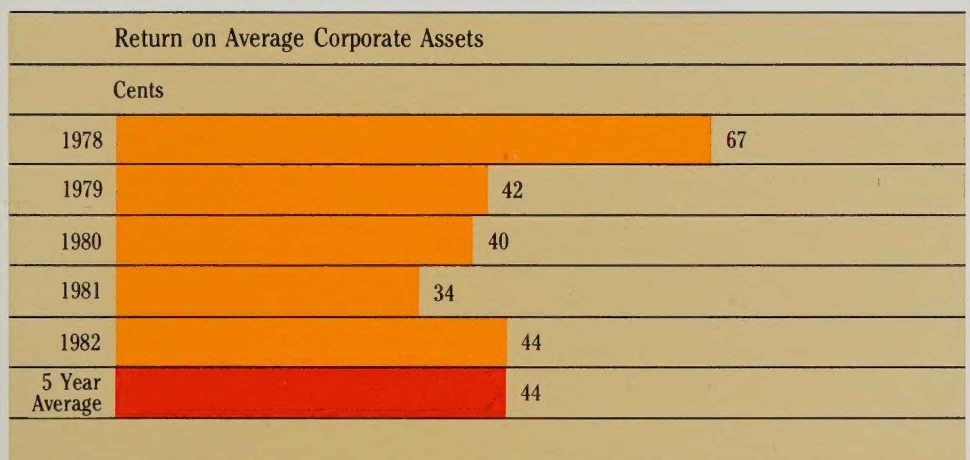
PERFORMANCE AGAINST OBJECTIVES

Several key objectives for 1982 were noted in the 1981 report. Following is a comparison of performance against each of these objectives.



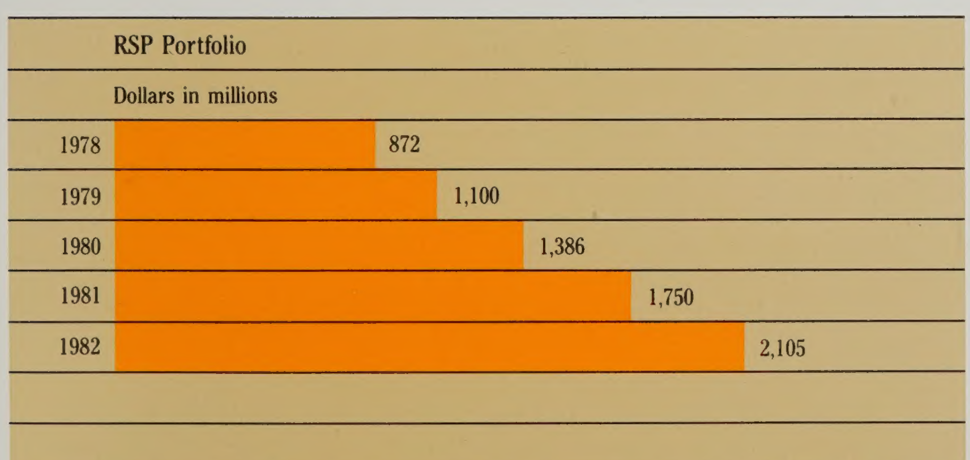
OBJECTIVE 1
Achieve a 15% return on common shareholders' average equity - fully diluted over the last five year period.

Performance: Return on equity averaged 12.7% over the 1978 - 1982 period and was 12.7% for 1982.



OBJECTIVE 2
Achieve a return of 65¢ per $100 of average corporate assets over the last five year period.

Performance: Return on corporate assets averaged 44¢ over the 1978 - 1982 period and was 44¢ for 1982.

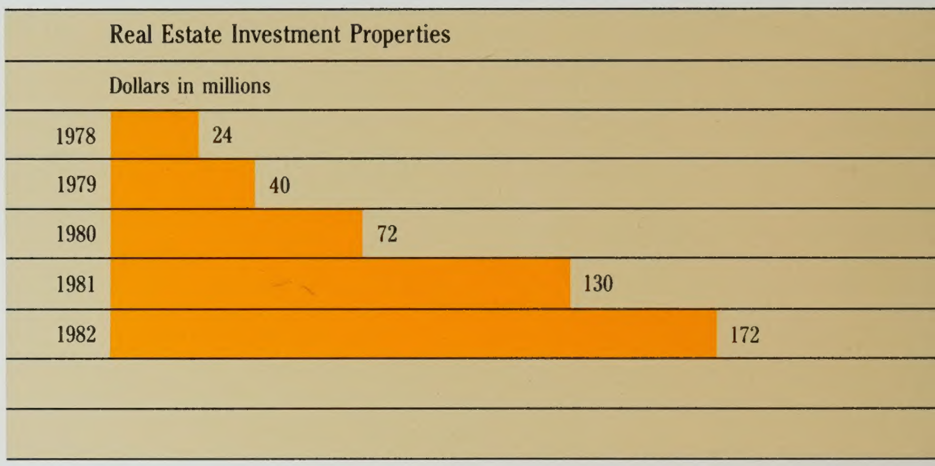


OBJECTIVE 3
Surpass $2 billion in total RSP portfolio.

Performance: Portfolio was $2.1 billion at December 31, 1982, an increase of $355 million for the year.

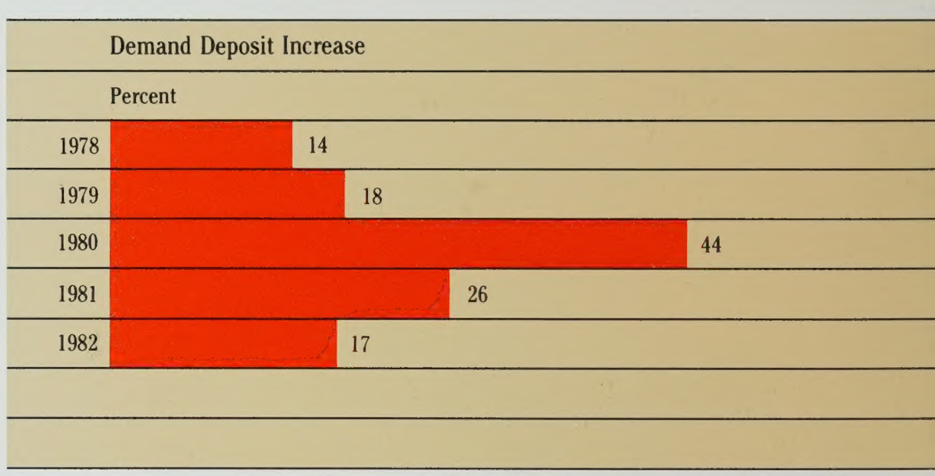
OBJECTIVE 4
Increase the portfolio of real estate investment properties owned by $50 million.

Performance: Portfolio increased $42 million, and totalled $172 million at year-end.



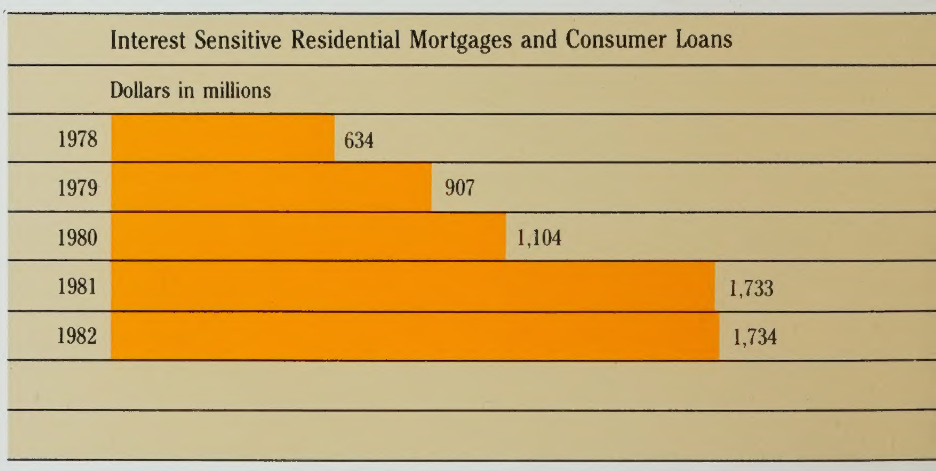
OBJECTIVE 5
Increase demand deposits by 18%.

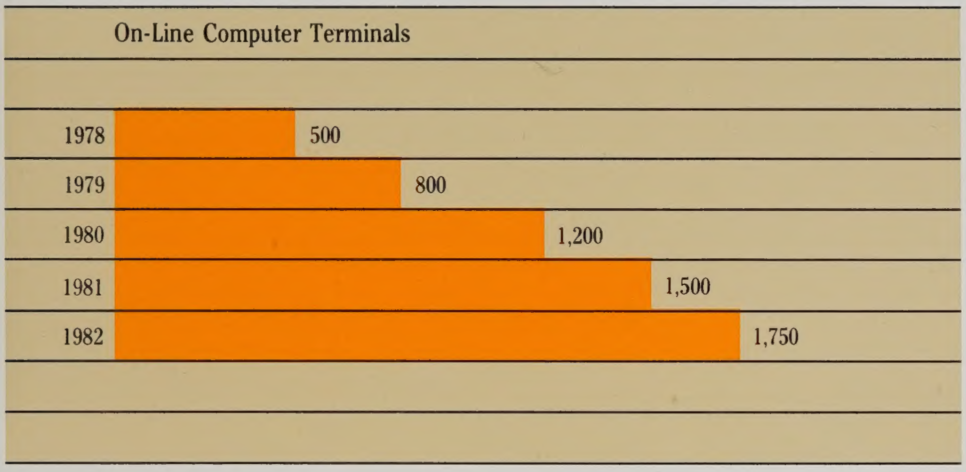
Performance: Demand deposits increased 17%, to $3.6 billion.



OBJECTIVE 6
Increase residential mortgage and consumer loan portfolios on which the interest rate is subject to change within one year by $350 million.

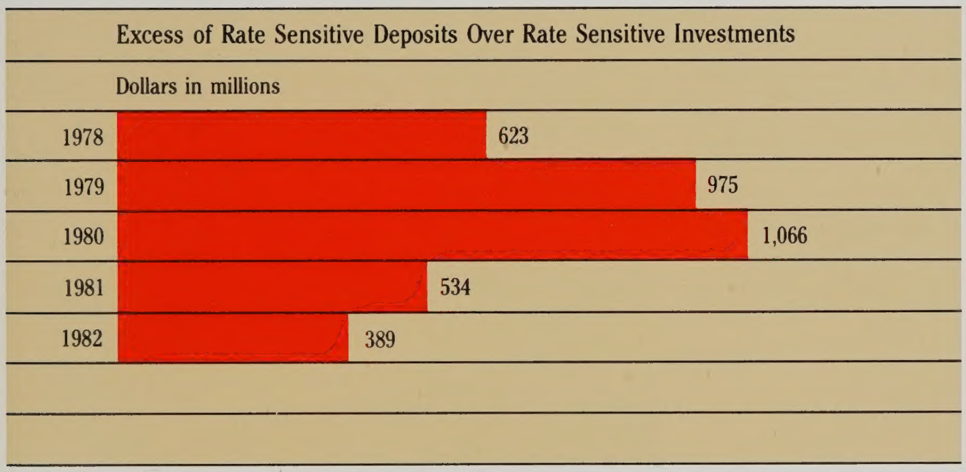
Performance: Portfolio showed virtually no change.





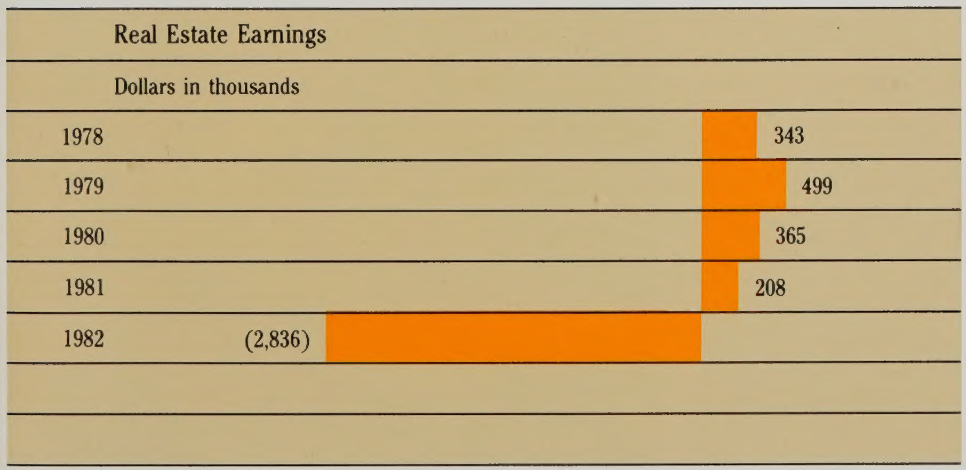
OBJECTIVE 7
Complete phase one of branch conversion to direct data entry for term savings products.

Performance: Phase one was completed in August.



OBJECTIVE 8
Complete strategy to match investments on which the interest rate is subject to change within one year with like deposits.

Performance: Matching was effectively completed in August. Position at year-end reflects management strategy.



OBJECTIVE 9
Generate $650,000 in pre-tax earnings from real estate sales.

Performance: An uncertain environment resulted in reduced sales activity and a pre-tax loss of $2.8 million.

1983 OBJECTIVES

Stated here are several key objectives for the year ahead. Comparison of performance will appear in the 1983 report.

OBJECTIVE ONE
Return on equity
Achieve an after-tax return of 15% on common shareholders' average equity – fully diluted over the last five years.

OBJECTIVE TWO
Return on corporate assets
Achieve an after-tax return of 65¢ per $100 on average corporate assets over the last five years.

OBJECTIVE THREE
Interest rate differential
Achieve a differential between return on investments and cost of deposits of 2.30% or greater on a taxable equivalent basis, up from 1.81% in 1982.

OBJECTIVE FOUR
Demand deposit increase
Increase demand deposits by 16% compared with 17% in 1982.

OBJECTIVE FIVE
Computerization
Complete phase two of branch conversion to direct data entry by installing large screen terminals in 72 branches bringing the total to 125.

OBJECTIVE SIX
Loan arrears
Reduce consumer, personal, collateral and mortgage loans 30 days or more in arrears to 1.00% or less in dollar volume of portfolio at year-end compared with 2.80% at December 31, 1982.

OBJECTIVE SEVEN
Trust business development
Increase first year fees from new personal, pension and corporate trust business developed by 20% to $2.2 million from $1.8 million in 1982.

OBJECTIVE EIGHT
Real estate investment properties
Generate net real estate investment properties income of at least $12.5 million, a 69% increase from $7.4 million in 1982.

OBJECTIVE NINE
Real estate sales
Generate pre-tax earnings of $750,000 from real estate sales compared to a pre-tax loss of $2,836,000 in 1982.

Merv Lahn recently served as co-chairman of London's successful St. John Ambulance building campaign.

SIMPLIFIED FINANCIAL STATEMENTS

OPERATIONS FOR YEAR ENDED DECEMBER 31

HOW INCOME WAS EARNED	1982	1981	% Increase (Decrease)
The most significant segment of operations is investing depositors' and shareholders' funds in income producing assets. Gross investment income was	$1,241,787,000	$1,159,358,000	7
Most of this income was paid to depositors as interest on savings accounts, certificates of deposit, investment certificates and other types of investments and some was set aside to provide for investment losses	1,095,501,000	1,056,213,000	4
This left net investment income after provision for investment losses of	146,286,000	103,145,000	42
Fees and commissions earned			
(i) from trust operations	33,891,000	30,605,000	11
(ii) from service charges of all types, including credit cards	26,699,000	20,835,000	28
(iii) from selling real estate	5,813,000	6,664,000	(13)
Other sources of income	2,321,000	5,236,000	(56)
Total income earned	$ 215,010,000	$ 166,485,000	29

HOW INCOME WAS USED	1982	1981	% Increase (Decrease)
Almost half of the income was paid as salaries and benefits to employees	$ 95,708,000	$ 81,110,000	18
Cost of operating branches and offices, including maintenance	21,264,000	16,552,000	28
Computer support systems are vital to operations and were a significant cost	16,869,000	12,427,000	36
All other costs including advertising, stationery and communications	37,299,000	35,071,000	6
Income taxes	4,294,000	(7,230,000)	159
Dividends to shareholders	23,799,000	19,815,000	20
Earnings retained to finance future growth	15,777,000	8,740,000	81
Total income used	$ 215,010,000	$ 166,485,000	29

POSITION AT YEAR-END

WHERE MONEY TO INVEST WAS OBTAINED	1982	1981	% Increase (Decrease)
Shareholders provide the investment necessary to finance current operations and future growth. As well, shareholders' funds provide additional security for depositors			
(i) shareholders' funds were	$ 363,068,000	$ 314,727,000	15
(ii) depositors' funds were	8,825,017,000	8,269,072,000	7
(iii) other liabilities were	54,406,000	60,673,000	(10)
Total money obtained	$9,242,491,000	$8,644,472,000	7

WHERE MONEY WAS INVESTED	1982	1981	% Increase (Decrease)
Some investments are held in liquid form to meet deposit withdrawals, deposit maturities and fund investments and other contractual commitments	$1,727,816,000	$1,384,823,000	25
Most investments are loans, such as mortgages, corporate and personal loans	6,236,409,000	6,391,965,000	(2)
All other investments, including those made by Truscan, the real estate investment subsidiary	1,221,174,000	823,549,000	48
Land, premises and equipment owned and used in operations	57,092,000	44,135,000	29
Total money invested	$9,242,491,000	$8,644,472,000	7

TEN YEAR RECORD

	Compound Growth Rate % Increase (Decrease) 10 Year	5 Year	1982	1981	1980
For the year (in thousands)					
Investment income – taxable equivalent basis	25.3	24.9	$ 1,241,787	$ 1,159,358	$ 809,394
Interest on deposits, taxable equivalent adjustment and provision for investment losses	27.9	27.8	1,095,501	1,056,213	711,590
Net investment income after provision for investment losses	14.7	11.0	146,286	103,145	97,804
Fees and commissions	16.9	18.2	66,403	58,104	43,927
Other income	26.0	24.0	2,321	5,236	2,065
Earnings before operating expenses	15.4	13.0	215,010	166,485	143,796
Operating expenses					
Salaries and benefits	20.2	18.8	95,708	81,110	63,684
Other	20.4	20.1	74,701	63,921	51,131
	20.3	19.4	170,409	145,031	114,815
Earnings before income taxes	6.2	(.7)	44,601	21,454	28,981
Income taxes	(9.1)	(23.3)	4,294	(7,230)	790
Net earnings	11.8	6.1	$ 40,307	$ 28,684	$ 28,191
At year-end (in thousands)					
Assets under administration	17.3	18.3	$18,212,000	$16,790,000	$14,299,000
Personal, pension and pooled trust funds	16.0	21.0	8,970,000	8,146,000	6,694,000
Deposits	18.8	16.2	8,825,000	8,269,000	7,290,000
Loans	16.0	12.9	6,236,000	6,392,000	5,832,000
Shareholders' equity	17.6	13.9	363,000	315,000	256,000
Return on common shareholders' average equity - fully diluted	(4.1)	(7.8)	12.7%	10.5%	12.0%
Per common share					
Net earnings					
Basic	3.7	(1.8)	$ 3.43	$ 2.61	$ 2.82
Fully diluted	3.0	(1.7)	3.22	2.53	2.72
Dividends paid	5.0	3.2	1.52	1.52	1.52
Shareholders' equity	7.3	7.8	26.36	24.50	23.07
Market price					
High	(.1)	3.5	34½	34	28⅝
Low	(2.9)	(2.4)	18¼	25⅛	18
December 31		3.2	34	29	26½
Price-earnings multiple - fully diluted, December 31	(2.9)	5.0	10.6	11.5	9.7
Price-equity multiple - basic, December 31	(6.7)	(4.1)	1.3	1.2	1.1
Statistical data at year-end					
Number of shares outstanding					
Preference		12.6	5,650,000	5,237,356	3,712,095
Common	5.6	6.3	9,483,019	8,570,294	7,867,770
Number of shareholders	3.5	(2.1)	6,511	6,312	6,930
Trading volume during the year					
Preference		6.5	617,000	968,000	563,000
Common	19.5	34.0	2,511,000	1,261,000	1,796,000
Warrants		89.6	1,079,000	26,000	10,000
Number of financial services branches	8.8	6.8	189	185	173
Number of full-time equivalent employees	8.6	9.3	4,549	4,676	4,282
Number of real estate offices	8.8	7.7	84	71	66
Number of real estate sales representatives	17.4	15.5	1,219	774	708

1979	1978	1977 Base Year	1976	1975	1974	1973	1972 Base Year
$ 615,460	$ 485,587	$ 408,646	$ 299,942	$ 225,396	$ 183,736	$ 150,992	$ 130,690
536,659	394,757	321,659	244,580	180,957	150,413	111,224	93,615
78,801	90,830	86,987	55,362	44,439	33,323	39,768	37,075
36,763	32,509	28,731	24,020	22,929	19,871	16,060	13,904
1,677	736	792	913	511	427	383	230
117,241	124,075	116,510	80,295	67,879	53,621	56,211	51,209
52,755	45,487	40,421	31,876	26,696	22,280	18,108	15,201
41,029	34,986	29,939	22,207	17,744	14,743	13,007	11,648
93,784	80,473	70,360	54,083	44,440	37,023	31,115	26,849
23,457	43,602	46,150	26,212	23,439	16,598	25,096	24,360
(965)	11,718	16,164	8,509	9,360	7,569	12,194	11,178
$ 24,422	$ 31,884	$ 29,986	$ 17,703	$ 14,079	$ 9,029	$ 12,902	$ 13,182
$11,840,000	$9,484,000	$7,860,000	$6,891,000	$5,563,000	$4,771,000	$4,167,000	$3,704,000
5,438,000	4,333,000	3,460,000	3,189,000	2,937,000	2,547,000	2,259,000	2,039,000
6,103,000	4,884,000	4,163,000	3,524,000	2,483,000	2,111,000	1,808,000	1,577,000
5,072,000	4,022,000	3,393,000	2,974,000	2,151,000	1,868,000	1,610,000	1,410,000
247,000	222,000	189,000	147,000	121,000	89,000	78,000	72,000
11.5%	17.6%	19.1%	14.2%	13.1%	11.2%	17.2%	19.3%
$ 2.64	$ 3.88	$ 3.76	$ 2.57	$ 2.17	$ 1.61	$ 2.34	$ 2.39
2.54	3.61	3.50	2.47	2.14	1.61	2.34	2.39
1.52	1.34	1.30	1.20	1.20	1.20	1.15	.93
21.75	20.66	18.15	15.71	15.06	14.54	14.15	13.06
27½	29⅛	29	26½	27	31¾	34¼	35
21⅜	22½	20⅝	18¾	22	16⅛	26½	24½
22½	23¾	29	21	24½	23½	31¾	34
8.9	6.6	8.3	8.5	11.4	14.6	13.6	14.2
1.0	1.1	1.6	1.3	1.6	1.6	2.2	2.6
3,844,028	3,868,436	3,118,496	1,881,437	1,880,280	425,000		
7,829,611	6,988,971	6,988,763	6,988,663	5,521,088	5,521,088	5,521,088	5,521,088
7,263	7,241	7,252	7,401	6,309	4,612	4,654	4,617
1,630,000	347,000	450,000	215,000	263,000			
1,352,000	696,000	582,000	402,000	443,000	321,000	480,000	423,000
1,000	17,000	44,000					
162	150	136	123	93	91	86	81
3,705	3,227	2,921	2,615	2,332	2,321	2,169	1,999
63	53	58	56	48	46	42	36
623	531	594	578	460	368	320	245

REPORT TO SHAREHOLDERS

DIRECTORATE

At the shareholders' meeting on February 23, 1982 by-law 58 was enacted respecting number and qualifications of directors. It provides that the number of directors shall not be less than 15 or more than 30 and that no person who has attained the age of 70 shall be elected, re-elected or appointed as a director. In accordance with the age limitation Walter A. Bean, C.W. Brazier, Hugh Campbell, A.H. Jeffery, Duncan McIntosh, M.C.G. Meighen, G.E. Sharpe, J.J. Stuart and Noah Torno were not eligible for re-election and were appointed honorary directors. Their wise counsel will be missed and appreciation is extended for their contribution over many years.

William D. Grace, Edmonton, Senior Vice-President, Finance, Canadian Utilities Limited, and J.T. Hill, Kitchener, President and General Manager, Economical Mutual Insurance Company, were elected directors.

During the year the deaths of honorary directors J.G. Thompson and Clarence Wallace were recorded with deep regret.

LEGISLATION

On July 30, 1982 the federal government released a discussion paper and related documents examining the main issues to be considered in a revision and consolidation of the Trust Companies Act and the Loan Companies Act into one act that might be called the Canada Savings Banks and Trust Companies Act.

Submissions from interested parties were requested by October 31, 1982 and the federal department of insurance was to make its recommendation to the government by November 30, 1982, subsequent to which an amended draft bill would be introduced in parliament. To date the bill has not been introduced. Canada Trustco made a submission and participated in preparation of a paper presented by the Trust Companies Association of Canada.

There are two major areas of concern; suggested limitation on ownership of voting shares and power to continue to make corporate term loans.

On the first concern the discussion paper clearly favours constrained share provisions but the draft bill does not contain them. Unfortunately, most major companies in the industry are already controlled by concentrated ownership of over 10% of voting shares and vigorously oppose any beneficial ownership limitation. Undoubtedly, limitation of ownership will be a major consideration for appropriate parliamentary committees when draft legislation is referred to them for study and recommendations. Canada Trustco's posture has been clearly and frequently recorded favouring independent, widely-held companies.

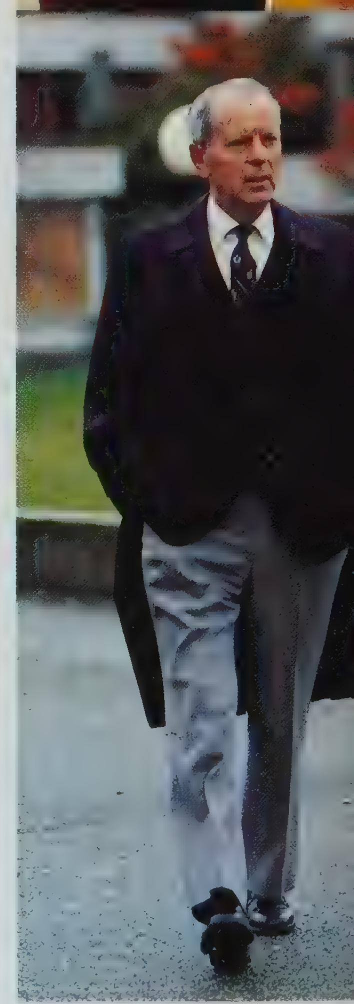
Your directors have reaffirmed their strong conviction that the public interest is best served by major Canadian trust and loan companies being independent with no company or person or group of associated companies or persons beneficially owning in excess of 10% of common shares issued. Independence is vital in that major trust companies, in particular, serve thousands of trust clients many of whom, unlike depositors, do not have the flexibility to change from one institution to another. Recent well publicized events surrounding one medium-sized and two small provincially incorporated trust companies, each controlled by one individual, cry out for government leadership to limit ownership to 10% as with schedule A banks.

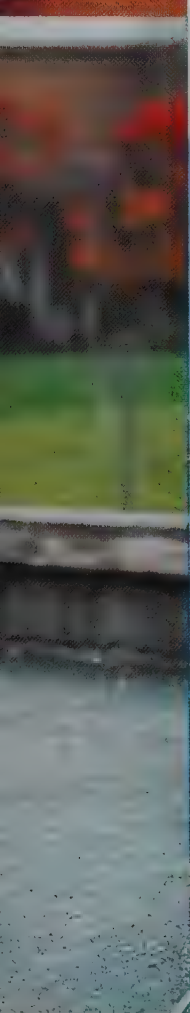
On the second point of concern, in recent years a negative impact on profitability of mortgage lending has been caused by the volatile interest rate structure and increasing liquidity preference of depositors. Corporate term lending at floating interest rates, permitted under existing legislation, has been crucial in enabling restoration of reasonable profitability. The draft bill would prohibit a company carrying on trust business from making loans to corporations whose stock is listed on recognized Canadian stock exchanges. As the purpose of the legislation is broadening of powers rather than restriction, it is vitally important that this provision be significantly ameliorated.

Generally, the proposed legislation is viewed positively. For the first time in 70 years it will be a complete revision rather than patchwork amendments. It recognizes and incorporates modern business practices and is a major step towards bringing consistency to government legislation for different types of financial institutions. Of unique importance, it would permit incorporation of "savings bank" into the Canada Trustco name, thus legitimizing public perception. Assuming legislation is passed in acceptable form, it is planned to seek shareholder approval to merge Canada Trustco and Canada Trust and to request approval of the name Canada Trust Savings Bank.

CONSTRAINED SHARE PROVISIONS

The Manufacturers Life Insurance Company (ManuLife) has made substantial purchases of Canada Trustco common shares and presently beneficially owns 2,479,353 shares, being 26.1% of common shares issued. ManuLife has been invited to nominate one director.





Under provisions of the Canadian and British Insurance Companies Act, by which ManuLife is regulated, its maximum beneficial ownership of Canada Trustco's issued common shares is limited to 30%.

However, Canada Trustco's charter prohibits the registration of common shares if the total number held by a purchaser and associates would exceed 10% of common shares issued. The charter also limits the number of votes which may be cast by any shareholder and associates at a shareholders' meeting to 10% of common shares issued. In the opinion of legal counsel the charter provisions are valid and enforceable. ManuLife has indicated its awareness of these restrictions.

In addition, the Loan Companies Act of Canada provides that a non-resident shareholder which beneficially owns in excess of 10% of the common shares of a federally incorporated loan company may not vote the shares. As the policyholders of ManuLife having voting rights are entitled to elect its directors, and a majority of such policyholders may be non-residents, the question of whether ManuLife is technically a non-resident for purposes of the Loan Companies Act has arisen. ManuLife has stated that it is a resident of Canada. However, on the advice of counsel, the board has determined, under the terms of the Loan Companies Act, that the shares held by ManuLife should not be voted until ManuLife's status for the purposes of the Loan Companies Act is clarified by the provision of appropriate evidence to the board or amendment of the governing statute, or a decision of the courts.

CAPITAL MANAGEMENT

The capital base was expanded in the third quarter by $35 million through sale of 1,750,000 11%, cumulative, redeemable, retractable, preference shares series G of a par value of $20 each. The shares are retractable at the option of

Top Left
Bob Stevens is chairman of the board at Princess Margaret Hospital in Toronto.

Top Right
For John Stevenson (left) and Alex Barron relaxation means working around the farm.

Bottom Left
Hugh Stephen recently served as chairman of the board at the University of Victoria.

Bottom Right
An avid sailor for over 20 years, John Cronyn spends summer weekends on Georgian Bay.

the holder on September 29, 1989 at $21 per share plus accrued and unpaid dividends. Each share was accompanied by one warrant entitling the holder to purchase one common share of Canada Trustco for $26 on or before October 2, 1987.

On November 23, 1982 the 7¼%, cumulative, redeemable, convertible, preference shares series B were called for redemption on December 29, 1982. Of the 1,128,318 shares outstanding, 1,112,487 shares were converted into 838,698 common shares and 15,831 shares were redeemed.

A discussion of overall capital management is included in the financial analysis section on page 36.

ACKNOWLEDGMENT

1982 was a particularly challenging year due to the difficult economic environment. Turbulent times placed extra demands on personnel at all levels. Achievement of improved results is a tribute to their initiative, ingenuity, unflagging effort and dedicated service. The directors, on behalf of shareholders, express gratitude to all employees for their many contributions.

EARNINGS

Despite adverse operating conditions, net earnings at $40.3 million were up 41% from $28.7 million in 1981. After dividends attributed to preference shares, basic net earnings per common share were $3.43 compared with $2.61 in 1981 on the weighted average number of common shares outstanding. On a weighted average and fully diluted basis net earnings per common share were $3.22, up 27% from $2.53 in 1981.

Fourth quarter 1982 earnings reported on page 39 were a record notwithstanding a substantial provision for investment losses of $12 million compared to nil in 1981. Fourth quarter net earnings per common share – fully diluted were $1.14, up 15 cents from the same quarter of 1981.

Contribution to earnings by business segment, before unallocated expense and income taxes is detailed in note 11. Intermediary contribution was 88% of total, fiduciary 16% and real estate sales a negative 4%, compared with 75%, 24% and 1% respectively in 1981.

Intermediary segment earnings contribution at $57.1 million increased 89% from $30.2 million in 1981. Completion of the strategy to match assets on which the interest rate is subject to change within one year with like deposit liabilities together with declining interest rates in the last half of the year were largely responsible for the improvement.

Fiduciary segment earnings contribution at $10.4 million increased 5% from $9.9 million in 1981. Trust services represent an increasingly important business unit and earnings contributor with major new business opportunities. This is particularly so in that Canada Trust is one of the very few major companies offering qualified trust services under management independent of control by concentrated ownership.

Real estate sales segment loss at $2.8 million constituted a serious drag on overall earnings. A strategic reassessment of continuing involvement in real estate sales has been completed and first half 1983 results will dictate whether or not this segment will be increased, maintained or divested.

The effective rate of income taxes provided in the consolidated statement of earnings was 9.6% compared to a negative rate in 1981. Note eight on income taxes includes a reconciliation of statutory and effective rates. Recognition of the $48.1 million tax loss carry forward through the future income taxes account is appropriate since it is virtually certain that the benefit will be used.

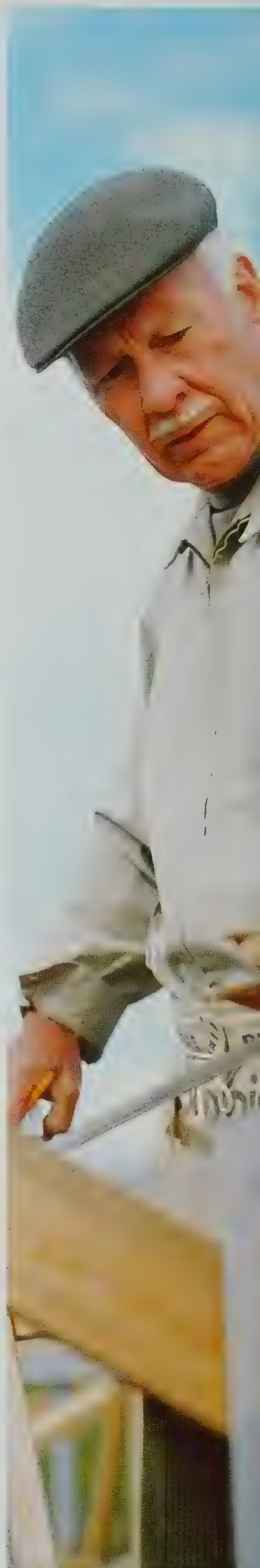
As a result of continuing unsettled economic conditions throughout 1982, loan loss experience deteriorated dramatically from that of earlier years. To provide fullest possible disclosure, non-performing loans, which consist of loans placed on a non-interest accrual status and real estate acquired in settlement of loans, have been segregated in the consolidated statement of condition. Note four provides relevant data as does a discussion of these loans on page 16. Additionally, a loan loss statistics table appears on page 35 giving comparative figures for the last five years.

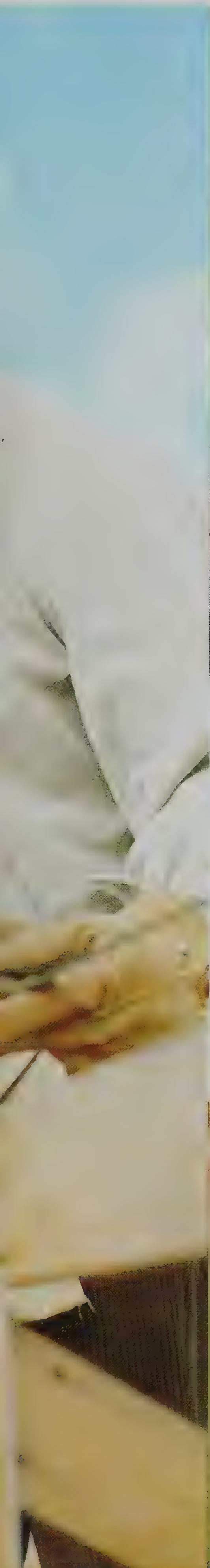
During 1982, additions to the allowance for investment losses were $22.3 million compared to $6.1 million in 1981. At year-end the allowance, as set out in note five, stood at $35.3 million versus $31.8 million one year earlier. Since the entire allowance was tax paid at December 31, 1982 it is capable of absorbing $70.6 million of pre-tax losses assuming a 50% tax rate. This provides coverage of 1.6 times non-performing loans and it is management's belief that the allowance is more than ample to meet unforeseen future losses.

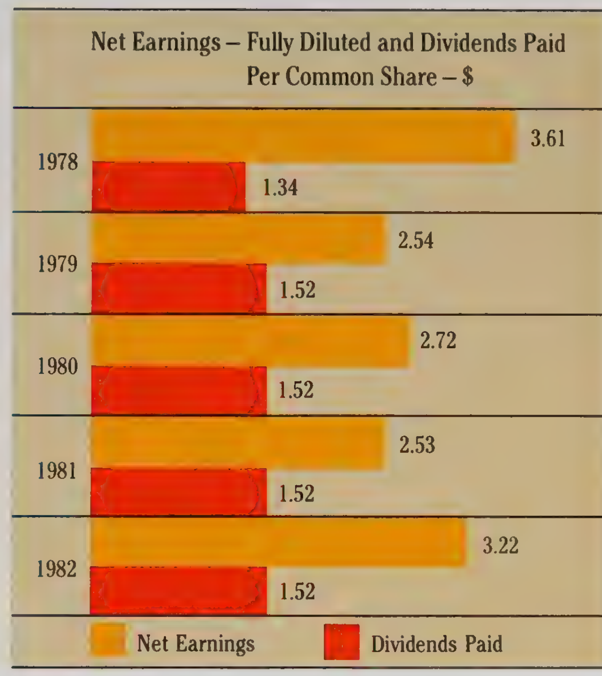
The rate of growth in operating expenses at 17%, compared with 26% in 1981, moderated somewhat, but was concerningly high. Actions taken during 1982 should further slow the rate of growth in 1983. However, inflation in costs beyond management's control such as postage, telephone, electricity, fuel, provincial capital and municipal taxes leaves little room for substantial reduction in the rate of annual increase.

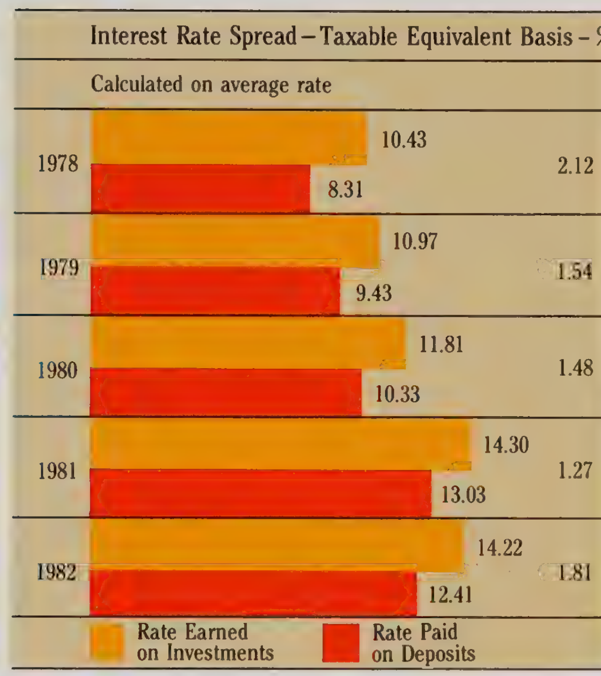
ASSETS UNDER ADMINISTRATION

Business volumes as measured by assets administered were $18.2 billion. Corporate assets increased by $598 million to $9.2 billion.









Left

An ardent builder, Fred Metcalf recently constructed a foot bridge over a country pond.

Top Right

For Derek Parkinson a restful weekend means clearing bush and growing vegetables at a Fraser Valley cottage.

Bottom Right

Outdoorsman George Dobbie can often be found trap shooting.

Personal, pension and pooled trust funds increased by $824 million to $9.0 billion. Growth rates compared with 1981 were: total assets, 8% versus 17%; corporate assets, 7% versus 14% and trust funds, 10% versus 22%.

The deposit multiple of shareholders' equity calculated in the manner prescribed by regulation was 21.16 times compared with 22.87 at December 31, 1981. Shareholders enacted a by-law at last year's annual meeting authorizing acceptance of deposits up to 30 times excess of assets over liabilities to become effective after approval by regulatory authorities. An application for 27.5 times was made but denied on grounds that current economic conditions are not conducive to reduction of capital ratios. It was not planned to immediately utilize an expanded deposit multiple, if granted, and there is no present disagreement with the interim decision.

In the interest of conservatism, market conditions permitting, further expansion of the capital base will be considered during 1983, possibly through sale of debt securities subordinated to deposits and convertible into common shares.

CORPORATE INVESTMENTS

Ongoing interest rate sensitivity matching initiatives are discussed in detail on pages 31 to 33 and refinement of the strategies involved continues to be of prime importance.

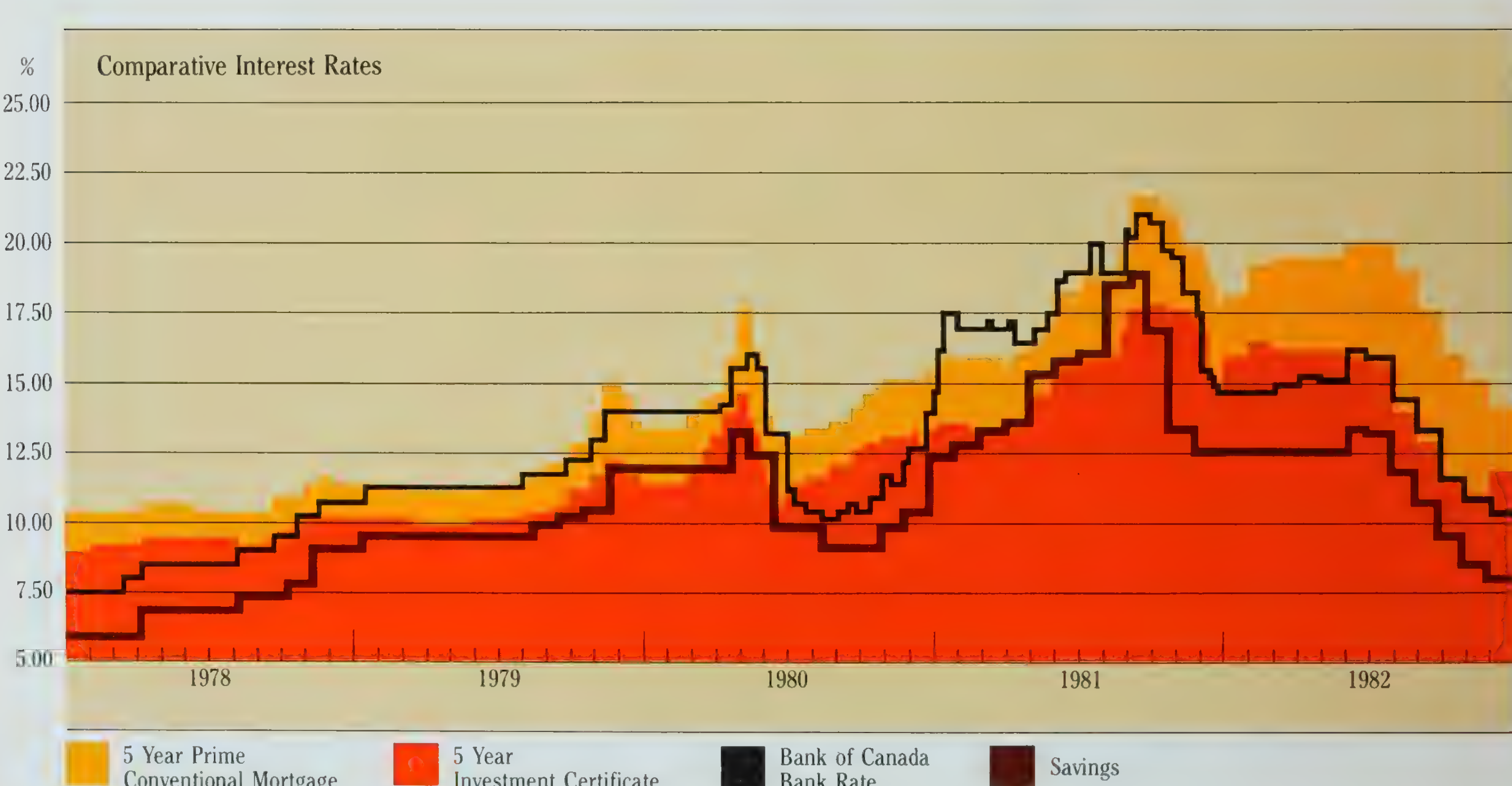
Lending and treasury functions were reorganized. Loans, money market, bond and stock investment activities were combined into the corporate investments division facilitating centralized credit control and improved implementation of asset management objectives.

Emphasis continued on float and short-term fixed rate lending. Longer term fixed rate loans and securities decreased. Only the float rate sector of the loans portfolio showed an increase. With completion of the matching program, the drive to add float rate assets eased. Resumption of substantial long-term fixed rate lending depends on depositors' willingness to provide long-term funds. While there is some evidence of renewed interest in longer terms, depositors, for the most part, continue to prefer short-term fixed or float rate deposits.

During 1982 short-term fixed rate notes increased by $368 million and exceeded cashable term deposits by $412 million at year-end. A high degree of liquidity was maintained and market conditions permitted a satisfactory spread to be earned.

Corporate Term and Financial Institutions Loans – At December 31, 1982 corporate term loans were $803 million, up $159 million for the year. Term loans to financial institutions increased $126 million to $552 million at year-end.

Commercial Mortgages – Applications approved totalled $94 million, up from $51 million in 1981. The year-end portfolio was $710 million of which $225 million were float rate. The principal amount of accounts in arrears one month or more was 4.33% of portfolio compared to 2.13% at December 31, 1981. Three month arrears were 2.30% compared to 1.33% at year-end 1981.



Growth in On-Line Savings Transactions

000's of transactions per day

Year	Transactions
1978	84.5
1979	107.4
1980	140.7
1981	177.7
1982	215.3

Mortgage Loans

Year	Conventional (% of total)	Conventional Insured (% of total)	National Housing Act (% of total)	Residential (% of total)	Industrial and Commercial (% of total)	$ in millions
1978	55	27	18	89	11	3,697
1979	53	26	21	87	13	4,454
1980	55	25	20	85	15	4,783
1981	57	25	18	85	15	4,760
1982	57	24	19	84	16	4,363

Top
Angling for Atlantic salmon is a challenge shared by John Stenason (left) and Jack Adams.

Middle Left
A vice-president of the Canadian Institute of Chartered Accountants, Bill Grace is actively involved in profession matters.

Middle Right
As a director and past chairman, Sam Hill devotes considerable time to the severely handicapped at Kitchener's Sunbeam Home.

Bottom
Beryl Ivey enjoys a wide range of gardening activities, from propagating hibiscus plants to drying flowers for potpourri.

Residential Mortgages – Mortgagors, anxious to reduce debt in the face of high interest rates, continued to repay principal as rapidly as circumstances permitted. Demand for new mortgages was weak. As a result, the portfolio contracted by $327 million.

Most new mortgages and renewals of existing mortgages were for periods of less than five years, with 55% of new mortgages written for one year or less. The average term of the fixed rate mortgage portfolio continued to shorten, falling to 2.6 years. During 1982 $330 million of applications were approved, against $418 million in 1981.

Mortgage advances included $51 million in HomeOwner loans – float rate, mortgage secured obligations. Introduced in 1981, these loans totalled $88 million at the end of 1982, compared to $53 million one year prior.

At year-end, the principal amount of residential mortgages in arrears one month or more was 2.42% of portfolio compared to 1.97% at December 31, 1981; three months or more arrears were 1.21% compared to 0.81% at year-end 1981.

Consumer, Personal and Collateral Loans
A decision was made early in 1982 to restrict this type of lending until economic conditions improved. Reduced emphasis, minimal demand and a distinct trend on the part of existing borrowers to reduce debt resulted in the portfolios declining. During the year 37,000 loans totalling $183 million were granted, of which 19% were float rate and 29% carried a rate to be reset every six months. At December 31, 1982 the total portfolio stood at $348 million comprised of 60,000 accounts compared with $456 million and 81,000 accounts one year earlier.

The principal amount of accounts in arrears 30 days or more was 0.87% compared to 0.62% at December 31, 1981. Net losses were $1.6 million or 0.46% of the portfolio, compared to $1.9 million or 0.42% in 1981.

Non-Performing Loans – A material increase in both non-performing loans and loan losses was experienced. In cases where there is doubt as to collection of either principal or interest, loans are classified as non-performing and thereafter, revenue is taken into income only as collected. The delinquency period before a loan is classified as non-performing differs among the various loan categories: consumer, personal and collateral loans, other than credit card balances, when payments due have not been received for six months; conventional mortgages – six months; corporate loans – 30 days. Credit card balances are written off when overdue 180 days. In addition, management may, at any time, classify a loan as non-performing if there is evidence of deterioration in the borrower's financial condition. Experience indicates that a worthwhile percentage of non-performing loans is realized in due course without material loss.

Non-performing loans, before deduction of applicable allowance for investment losses, increased to $44 million at year-end 1982 from $22 million in 1981. Corporate term loans in this category were $14 million, conventional mortgages $21 million, consumer and personal loans $2 million, collateral loans $1 million and real estate acquired in settlement of loans $6 million.

A loan to Turbo Resources Limited for $20 million went into default in April and a specific $10 million charge to the allowance for investment losses has been made for it. In addition, $5 million was specifically charged to the allowance for a loan of $8.9 million to Daon Development Corporation which defaulted in August. Overall, charges of $19 million were made to the allowance in 1982 compared with $3 million in 1981. Detail appears on page 28.

TRUST INVESTMENTS

High interest rates stifled consumer demand and accelerated economic decline as the year progressed. Canada was particularly hard hit as resource based industry was adversely affected.

Companies in this category such as forest products, petroleum and metals account for a large share of Canada's GNP. The slump in demand caused unemployment levels to climb sharply and corporate earnings to drop precipitously. Energy mega-projects became uneconomic. Major companies encountered unexpectedly severe financial problems. When North American economies showed no signs of mid-year recovery both the United States Federal Reserve Board and the Bank of Canada acted to lower interest rates and to give their respective economies a chance to recover.

In the first half bond prices were highly volatile and in a downtrend. July was a major turning point. Yields peaked and bond prices began a sustained advance, induced by changes in monetary policy. A continued decline in inflation rates should result in further commensurate improvement in debt markets.

Following changes in monetary policy and improved fixed income markets, equities began to advance during the summer. Investors began to anticipate economic improvement in 1983 and 1984. However, continuing high unemployment and unused productive capacity will likely persist for some time.

Stock and bond buyers have traditionally been rewarded in periods of economic recovery and monetary stability. Portfolio equity contents were increased in expectation that improved economic conditions could lead to healthier corporate profitability and would exert a positive impact on stock prices.

PROPERTY INVESTMENTS

Real Estate Investments – Continued growth, although at a slower rate than 1981, brought year-end portfolio to $172 million compared with $130 million one year earlier. The strategy to acquire a diversified portfolio, from both a geographic and use composition, continues with $59 million in office buildings, $66 million in shopping centres and $47 million in properties held for development and resale. Current effort is focused on leasing vacant space in existing projects and pre-leasing proposed developments, both of which should enhance earnings contribution in 1983.

Owned land and buildings were independently appraised as of September 30. The estimated appraisal increment totalled $41 million over net depreciated values of $172 million. Detail appears on page 37.

Branches and Premises – Four financial services branches were opened – Edmonton 51st Ave. at 105th, London Dundas at Clarke Road, Toronto Warden Woods Mall and Kingston Princess at Bath. Major renovations were completed at Burnaby Kingsway Plaza, St. Catharines Pen Centre and Simcoe Norfolk at Young. Saskatoon, Brandon, Dunnville and Oshawa branches were relocated into new owned buildings.

In 1983 Lethbridge 4th Ave. S. at 6th, London Commissioners at Boler, Grimsby and Sudbury branches will be relocated in new owned quarters and Red Deer Ross Street will be relocated in new leased premises.

REAL ESTATE SALES

Activity during the first three quarters was substantially below that of 1981. A strong recovery was experienced in the last quarter

Top Left
Tom Lawson serves as Colonel of the Royal Canadian Regiment as well as chairman of the Council of Honorary Colonels of the Canadian Armed Forces.

Top Right
New endeavours at London's University Hospital hold a special interest for Walter Blackburn.

Bottom Left
A graduate of McMaster, John Panabaker is a member and former chairman of the University's board of governors.

Bottom Right
Reford Gardhouse (left), Ken Murray and Eric Findlay share an interest in cattlebreeding and raising livestock.

which will be largely reflected in first quarter 1983 earnings when the transactions close. Gross commissions were $23 million, a decrease of 10% from 1981. Commissions earned by area were 70% in Ontario, 12% in British Columbia and 18% in the prairie provinces.

The substantial pre-tax operating loss of $2.8 million was attributable to rapidly increasing costs without a compensating increase in commissions. The start-up costs of a major acquisition in mid-year and a minor acquisition at the end of the third quarter added to the loss. These acquisitions are expected to make an important contribution to 1983 sales and earnings. Operations should return to profitability as transactions increase in 1983 as a result of reduced inflation and lower mortgage rates.

Seventeen new residential offices and three industrial, commercial and investment offices were opened. Seven residential offices were closed. Real estate services were offered at 77 residential offices and seven industrial, commercial and investment offices at year-end compared with 67 and four respectively at December 31, 1981.

During the year five sales personnel were promoted to sales managers. The sales force at year-end was 1,219, up from 774 at the end of 1981.

SAVINGS SERVICES

Demand Savings – Demand deposits increased by $525 million or 17% compared with $627 million or 26% in 1981.

Extended hour "8 to 8" service gives customers a minimum of 68 banking hours each week at 121 of 189 financial services branches, being 64% compared to 110 of 185 or 59% at December 31, 1981.

In July the U.S. dollar daily interest account was improved with the addition of chequing privileges and a passbook option. This account now has the flexibility to meet everyday requirements of virtually all customers.

Demand savings transactions increased 21%. Costs to provide appropriate service levels are being offset in part by selective, increased activity charges.

Clearing Systems – In 1983 the Canadian Payments Association assumes responsibility for the national clearing system. As a member, participation should result in reduced costs and further electronic funds transfer system developments.

Term Savings and Registered Retirement Savings Plans – Fixed term deposits increased 6% compared to 3% in 1981. Cashable term deposits declined 19%.

New options were added to Cash 'n Carry investment certificates allowing for rate adjustments every one, two, three months or annually at the customer's option.

R.R.S.P.'s achieved a significant milestone. The total investment of 229,000 participants surpassed $2 billion.

The first phase of a direct data entry system was completed with the installation of large screen terminals in 53 branches allowing for direct input of certificate of deposit data to the computers. The teller terminal system was adapted to direct data entry of R.R.S.P. deposits reducing paper flow and improving customer service. In 1983, investment certificate transactions will be added and the system expanded.

Registered home ownership plans experienced steady growth with deposits of 35,000 participants now totalling $118 million.

Credit Card Services – An increasing interest rate spread, significant productivity improvement and stringent cost control combined to reduce overall credit card pre-tax operating loss by $1.5 million from $4.0 million in 1981 to $2.5 million in 1982.

Receivables increased 12% from 1981 to $37 million. Card usage produced 3.6 million transactions representing sales of $151 million for an average, excluding cash advances, of $43.

Bad debt and fraud losses were contained to $0.7 million. The loss ratio of 0.46% of gross sales continued well below industry standards.

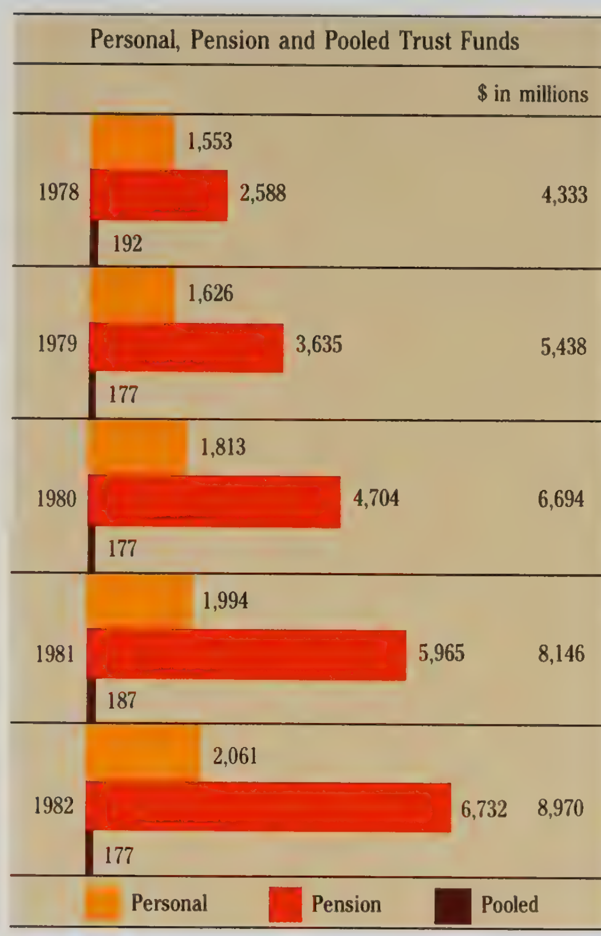
While MasterCard operations continued to operate at a loss there should be further improvement in 1983. Anticipated industry repricing of credit card services should have a positive impact. The integral role which credit and debit cards will play in the evolving electronic funds transfer system and the strategy to provide customers with the fullest possible range of financial services well justify the losses sustained to date.

TRUST AND CORPORATE SERVICES

Personal Trust Services – An increase of $1.6 million in revenue was achieved, a 13% improvement over 1981. Early commitment to computerization continued to assist maintenance of acceptable profit margins through cost containment. Business development efforts were successfully strengthened, increasing contribution to earnings.

Pension Trust Services – Growth in revenue was sustained at 16%, resulting in $9.5 million for the year. Acquisition of new business remained strong producing $412 thousand in first year fees. Maintaining the growth of prior years, assets administered reached $6.7 billion, more than triple the 1977 amount.

Ability to satisfy information requirements of fund sponsors in a rapidly changing environment is essential. In 1982 the pension trust system was restructured to facilitate ready modification. The installation of major enhance-



Top Left
A round of golf is a pleasurable retreat for Rudy Bratty (left), Elmore Houser and Ted Dakin.

Top Right
Canadian art holds a special intrigue for Carl Nickle.

Bottom Left
An avid baseball fan, Peter Widdrington combines personal enjoyment and a corporate association with the Blue Jays.

Bottom Right
As a senator and past president, Howard Hemphill has been actively involved in the Stratford Shakespearean Festival for many years.

ments in 1983 will permit flexibility and selectivity in providing information to clients.

Corporate Trust Services – Fees were up 6%, a satisfactory increase given difficult conditions. Limited opportunities for new business contributed to lower stock transfer and bond trusteeship activity. Systems and procedures were modified during the year to take advantage of emerging technology. Transfer and delivery of securities will become increasingly automated throughout the eighties.

DATA RESOURCES

Data processing capacity was doubled by replacing two IBM 3033 computers with a pair of newer technology IBM 3081 computers. While providing backup to critical on-line data processing services, the additional capacity is being used to increase on-line service for administrative activities with 1,750 terminals from coast to coast.

Key activity in systems development is oriented to improving flexibility through use of modern tools and techniques. In 1982 major enhancements were made to pension trust, personal trust, retirement savings and corporate lending systems.

PLANNING

Development of appropriate corporate objectives and effective allocation of resources demands comprehensive planning to maximize productivity and earnings.

Action plans were structured to improve competitive position and were executed with integrated support of marketing, systems, human resources, product management and the branch network.

MARKETING SERVICES

Deposit-gathering and generation of fee-based business received major marketing emphasis. Efforts were co-ordinated with asset-liability matching goals. New customers were attracted by merchandising campaigns for both Canadian and U.S. dollar daily interest savings chequing accounts, Canada savings bonds, retirement savings plans and term deposits. Extended hour "8 to 8" service played a strong role in market success. Ongoing research helped evaluate current strategies and plan future direction.

HUMAN RESOURCES

Improved computer-assisted analytical techniques provided increased support to management decisions on branch staffing levels. Successful implementation of these techniques plus lengthening of scheduled working hours resulted in a 2.7% reduction in full-time equivalent employees with attendant significant salary savings.

Employees with over five years service purchasing stock by payroll deduction now qualify for company contribution of 25% to 50% of yearly investment. A stock option plan was introduced for executive and senior management replacing a former stock loan plan.

Training and developing employees to best utilize new technology has been a major focus. Direct data entry and branch administration programs have had positive results. Over 1,150 employees participated in 65 programs relating to management skill development and customer service.

ORGANIZATION

Executive and senior management appointments during 1982 were:

Executive Vice-President
John D. Richardson – Regional Operations

Vice-Chairman
Archie H. Kerr – Pacific Region

Senior Vice-President
Jed L. Purcell – Central Ontario Region

Assistant Vice-Presidents
Chris M. Disney – Fixed Income Investments
Bruce Hartman – Equity Investments
Jim T. McDougall – Calgary Main
J. Murray Tonge – Pension Trust Services
Doug E. Wannamaker – Corporate Business Development – Southwestern Ontario Region

THE YEAR AHEAD

Virulent recession has persisted without abatement for six quarters with few harbingers of relief. Reductions in inflation and interest rates are expected to continue and are necessary pre-conditions of economic recovery. Unfortunately, unemployment will likely increase during first quarter 1983 further exacerbating government deficits. Real growth, however modest, is unlikely until mid-year.

Should events occur in the envisaged sequence, loan losses would continue high but manageable. Moderately improved net investment income after provision for investment losses, coupled with some decline in rate of growth in operating expenses, would enhance earnings.

In these complex and uncertain times other scenarios are plausible but do not rank high in probability. Given the human resource and financial strength which the organization has built over a century and almost two decades, significant 1983 earnings improvement is confidently forecast.

Arthur H. Mingay
Chairman of the Board and the Executive Committee

Mervyn L. Lahn
President and Chief Executive Officer

January 25, 1983, London, Canada

CANADA TRUSTCO MORTGAGE COMPANY

CONSOLIDATED STATEMENT OF EARNINGS, *year ended December 31*

	1982	1981	% Increase (Decrease)
Investment income			
Short term notes	$ 205,541,000	$ 156,313,000	31
Bonds and debentures	75,750,000	90,823,000	(17)
Stocks	36,251,000	34,031,000	7
Mortgages	606,474,000	584,563,000	4
Corporate term	112,206,000	87,845,000	28
Financial institutions	79,515,000	65,540,000	21
Consumer and personal loans	51,485,000	61,145,000	(16)
Collateral loans	28,502,000	34,968,000	(18)
Net real estate investment properties	7,425,000	7,379,000	1
Equipment leases	2,089,000	2,220,000	(6)
	1,205,238,000	1,124,827,000	7
Taxable equivalent adjustment	36,549,000	34,531,000	6
	1,241,787,000	1,159,358,000	7
Interest on deposits			
Demand	361,344,000	366,746,000	(1)
Cashable term	133,328,000	185,309,000	(28)
Term	549,280,000	469,627,000	17
	1,043,952,000	1,021,682,000	2
Net investment income - taxable equivalent basis	197,835,000	137,676,000	44
Taxable equivalent adjustment	36,549,000	34,531,000	6
Provision for investment losses	15,000,000		
Net investment income after provision for investment losses	146,286,000	103,145,000	42
Fees			
Personal trust	14,021,000	12,399,000	13
Pension and pooled trust funds	12,025,000	10,803,000	11
Corporate trust	7,845,000	7,403,000	6
Service	26,699,000	20,835,000	28
	60,590,000	51,440,000	18
Commissions			
Real estate sales	23,122,000	25,610,000	(10)
Real estate sales personnel	17,309,000	18,946,000	(9)
	5,813,000	6,664,000	(13)
Other income	2,321,000	5,236,000	(56)
Earnings before operating expenses	215,010,000	166,485,000	29
Operating expenses			
Salaries	87,361,000	76,443,000	14
Pension and other benefits	8,347,000	4,667,000	79
Occupancy	21,264,000	16,552,000	28
Computer, furniture and equipment	16,869,000	12,427,000	36
Communications	7,964,000	6,347,000	25
Stationery	4,670,000	4,836,000	(3)
Advertising	5,977,000	6,084,000	(2)
Insurance, commissions and fees	7,579,000	8,022,000	(6)
Provincial taxes on capital	2,550,000	2,278,000	12
Other	7,828,000	7,375,000	6
	170,409,000	145,031,000	17
Earnings before income taxes	44,601,000	21,454,000	108
Income taxes	4,294,000	(7,230,000)	159
Net earnings	$ 40,307,000	$ 28,684,000	41
Attributed to			
Preference shares non-convertible	$ 9,015,000	$ 5,204,000	73
Preference shares convertible	1,638,000	2,024,000	(19)
Common shares	29,654,000	21,456,000	38
	$ 40,307,000	$ 28,684,000	41
Net earnings per common share - basic	$ 3.43	$ 2.61	31
Net earnings per common share - fully diluted	$ 3.22	$ 2.53	27
Net earnings ratios			
To averaged			
Assets	.44%	.34%	
Common shareholders' equity - fully diluted	12.70%	10.52%	

See notes to consolidated financial statements commencing on page 26.

CONSOLIDATED STATEMENT OF CONDITION, *December 31*

	1982	1981	% Increase (Decrease)
ASSETS			
Investments			
Cash	$ 110,120,000	$ 99,846,000	10
Short term notes	1,381,030,000	984,546,000	40
	1,491,150,000	1,084,392,000	38
Securities			
Bonds and debentures			
Canada	531,390,000	251,159,000	112
Provincial	268,123,000	230,439,000	16
Corporate	42,713,000	44,261,000	(3)
	842,226,000	525,859,000	60
Stocks			
Preference	391,450,000	392,392,000	
Common	25,608,000	46,730,000	(45)
	417,058,000	439,122,000	(5)
	1,259,284,000	964,981,000	30
Loans			
Mortgages			
Conventional	2,509,327,000	2,694,902,000	(7)
Conventional insured	1,037,166,000	1,178,597,000	(12)
National Housing Act	816,877,000	886,407,000	(8)
	4,363,370,000	4,759,906,000	(8)
Corporate term	802,836,000	644,229,000	25
Financial institutions	551,803,000	425,966,000	30
Consumer and personal	312,587,000	345,361,000	(9)
Collateral	175,843,000	196,976,000	(11)
Non-performing	29,970,000	19,527,000	53
	6,236,409,000	6,391,965,000	(2)
Real estate investment properties	171,882,000	130,366,000	32
Receivables under equipment leases	26,674,000	28,545,000	(7)
Total investments	9,185,399,000	8,600,249,000	7
Income taxes recoverable		88,000	(100)
Land, premises and equipment	57,092,000	44,135,000	29
	$9,242,491,000	$8,644,472,000	7

Approved on behalf of the board

J.W. Adams, Director

M.L. Lahn, Director

See notes to consolidated financial statements commencing on page 26.

	1982	1981	% Increase (Decrease)
LIABILITIES			
Deposits			
Demand	$3,563,405,000	$3,037,951,000	17
Cashable term	872,276,000	1,078,943,000	(19)
Term	4,389,336,000	4,152,178,000	6
	8,825,017,000	8,269,072,000	7
Mortgages	14,002,000	24,165,000	(42)
Dividends	6,338,000	5,190,000	22
	20,340,000	29,355,000	(31)
Future income taxes	34,066,000	31,318,000	9
	8,879,423,000	8,329,745,000	7
SHAREHOLDERS' EQUITY			
Capital stock			
Preference shares	113,000,000	104,747,000	8
Common shares	18,966,000	17,141,000	11
	131,966,000	121,888,000	8
Contributed surplus	109,915,000	87,429,000	26
Retained earnings	121,187,000	105,410,000	15
	363,068,000	314,727,000	15
	$9,242,491,000	$8,644,472,000	7

CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS

year ended December 31

	1982	1981
Balance beginning of year	$ 87,429,000	$ 69,113,000
Premium on issue of common shares	22,330,000	18,316,000
Net discount on preference shares series B purchased for cancellation and redemption	156,000	
Balance end of year	$109,915,000	$ 87,429,000

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

year ended December 31

	1982	1981
Balance beginning of year	$105,410,000	$ 96,670,000
Net earnings	40,307,000	28,684,000
	145,717,000	125,354,000
Dividends on		
Preference shares series A	313,000	401,000
Preference shares series B	1,638,000	1,986,000
Preference shares series C		38,000
Preference shares series D	2,489,000	2,578,000
Preference shares series E	1,493,000	1,546,000
Preference shares series F	3,441,000	679,000
Preference shares series G	1,279,000	
Common shares	13,146,000	12,587,000
	23,799,000	19,815,000
Expenses, net of income taxes, incurred on issue of shares	731,000	129,000
	24,530,000	19,944,000
Balance end of year	$121,187,000	$105,410,000

See notes to consolidated financial statements commencing on page 26.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL CONDITION

year ended December 31

	1982	1981
CASH DERIVED FROM		
Increase (decrease) in deposits		
Demand	$ 525,454,000	$ 626,566,000
Cashable term	(206,667,000)	222,089,000
Term	237,158,000	130,676,000
	555,945,000	979,331,000
Operations		
Net earnings	40,307,000	28,684,000
Future income taxes	2,748,000	(8,294,000)
Depreciation	6,154,000	4,877,000
Provision for investment losses	15,000,000	
	64,209,000	25,267,000
Other		
Issue of shares	35,304,000	51,331,000
Net gain (loss) on disposal of investments, net of income taxes	(11,443,000)	2,988,000
	23,861,000	54,319,000
	644,015,000	1,058,917,000
CASH APPLIED TO		
Increase (decrease) in investments		
Short term notes	396,484,000	437,132,000
Bonds and debentures	315,939,000	(108,671,000)
Stocks	(22,064,000)	76,487,000
Mortgages	(405,007,000)	(20,575,000)
Corporate term loans	158,607,000	443,778,000
Financial institutions loans	125,837,000	107,627,000
Consumer and personal loans	(31,885,000)	(6,371,000)
Collateral loans	(21,133,000)	16,619,000
Non-performing loans	21,860,000	8,785,000
Real estate investment properties	42,705,000	46,893,000
Receivables under equipment leases	(1,871,000)	(2,044,000)
	579,472,000	999,660,000
Dividends paid on		
Preference shares	9,590,000	6,158,000
Common shares	13,061,000	12,354,000
	22,651,000	18,512,000
Other		
Preference shares purchased for cancellation and redemption	2,740,000	1,105,000
Additions to land, premises and equipment	18,072,000	15,479,000
Expenses, net of income taxes, incurred on issue of shares	731,000	129,000
Reduction of mortgage liability	10,075,000	3,370,000
	31,618,000	20,083,000
	633,741,000	1,038,255,000
INCREASE IN CASH	$ 10,274,000	$ 20,662,000

See notes to consolidated financial statements commencing on page 26.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

year ended December 31, 1982

1. Summary of significant accounting policies

(a) Consolidation
The financial statements include the accounts of Canada Trustco Mortgage Company and its subsidiary companies, The Canada Trust Company and Truscan Realty Limited.

(b) Investments
Investments are reduced by an allowance for investment losses where applicable. Investment income includes a taxable equivalent adjustment to tax exempt dividends from stocks and interest from income debentures which represents income tax otherwise attributable to this income. This adjustment is included in the consolidated statement of earnings to present all investment income on an equal basis prior to the deduction of income taxes. Investments and investment income are stated as follows:

(i) Securities
Bonds and debentures are stated at amortized cost plus accrued interest and stocks are stated at cost plus accrued dividends.

(ii) Loans
Mortgages are stated at cost, which includes amounts advanced, interest capitalized and accrued, taxes and other charges, less repayments and unamortized mortgage discounts. Interest income is accrued on a daily basis and mortgage discounts are amortized over the term of the loan.

Corporate term, financial institutions, consumer, personal and collateral loans are stated at cost which includes amounts advanced and interest accrued on a daily basis, less repayments.

Non-performing loans are stated at an amount which does not exceed estimated net realizable value.

(iii) Real estate investment properties
Properties held for development and resale are stated at the lower of cost and estimated net realizable value while properties held as investments are stated at cost less accumulated depreciation. Cost includes all direct costs of development and construction including carrying costs such as interest, property taxes and net operating costs incurred during the development phase. Administrative overhead expenses are not capitalized.

Income is recognized on the sale of properties held for development and resale when all material conditions of the agreement have been fulfilled; a cash down payment equal to at least 15% of the sale price has been received, and in management's judgment the purchaser has the financial resources to complete the transaction. Rental income is recognized on investment properties commencing with the month during which a predetermined level of occupancy is attained subject to a reasonable maximum lease achievement period. Prior to such time net operating costs are capitalized as part of development and construction costs.

Depreciation is provided on a 5% 40 year sinking fund basis.

(iv) Receivables under equipment leases are stated at gross rentals receivable net of unearned income. Any gains resulting from the residual values of leased equipment are reflected in earnings only when realized.

An allowance for investment losses is deducted from the applicable investment on the consolidated statement of condition. This allowance recognizes the historical trend of investment losses and existing economic conditions. Provision for investment losses, if any, is based on both the historical five year (including the current year) moving average ratio of losses to average investments and other factors which in management's judgment deserve recognition. Net gains or losses realized on disposal of investments (with the exception of properties held for development and resale) are recorded in this allowance and are reflected in the consolidated statement of earnings only to the extent of their effect on the annual provision, if any.

(c) Land, premises and equipment
Land, premises and equipment comprise assets used by the company in its daily operation. Land is stated at cost and premises and equipment are stated at cost less accumulated depreciation. Depreciation is provided on the straight-line basis over the estimated useful life of each asset at annual rates of 10% to 33% on leasehold improvements and equipment. Depreciation on buildings is provided on a 5% 40 year sinking fund basis.

(d) Fees and commissions
Fees and commissions are recorded as income when received.

(e) Pension plan
A contributory pension plan is available to substantially all employees after three months of continuous service. The cost of funding current service pension benefits is expensed as incurred. Unfunded liabilities or experience deficiencies which may occur are funded in accordance with actuarial recommendations and the required additional contributions are expensed as incurred.

(f) Net earnings per common share
Net earnings per common share - basic are calculated using the weighted average number of common shares outstanding, and the net earnings attributable to common shares.

Net earnings per common share - fully diluted are calculated on the assumption that all warrants and common share options outstanding at the end of the year had been exercised at the beginning of the year or at the date of issue if applicable. Net earnings, added to the amount otherwise available to common shares, are the imputed earnings on the cash exercise price of warrants and options, calculated at the company's average prime rate for the year less applicable income taxes.

(g) Comparative figures
The comparative figures for 1981 have been reclassified to conform with the financial statement presentation adopted for 1982.

2. Capital stock

(a) Authorized and issued

	Number of shares		Amount (in thousands)	
	1982	1981	1982	1981
Cumulative redeemable preference shares, of \$20 par value each, issuable in series				
Authorized	13,168,563	14,505,919	\$263,371	\$290,118
Issued				
Series A - 8¾%	150,000	200,000	\$ 3,000	\$ 4,000
Series B - 7¼% convertible		1,287,356		25,747
Series D - floating % retractable	1,250,000	1,250,000	25,000	25,000
Series E - floating % retractable	750,000	750,000	15,000	15,000
Series F - floating % retractable	1,750,000	1,750,000	35,000	35,000
Series G - 11% retractable	1,750,000		35,000	
	5,650,000	5,237,356	\$113,000	\$104,747
Common shares of \$2 par value each				
Authorized	20,000,000	20,000,000	\$ 40,000	\$ 40,000
Issued	9,483,019	8,570,294	\$ 18,966	\$ 17,141

(b) Terms of issue

(i) Preference shares
Each series of preference shares outstanding is subject to separate terms and conditions respecting redemption, retraction and purchase for cancellation, all of which require the prior consent of the Superintendent of Insurance of Canada. These terms and conditions together with dividend rates are summarized as follows:

Dividends
The dividend rates on series A and G are 8¾% and 11% respectively. The dividend rate on series D, E and F is adjusted quarterly and, expressed on a per annum basis, is equal to the sum of (i) one half of the average bank prime rate and (ii) 1.25% in respect of series D and E and 1.125% in respect of series F.

Redemption
Series A
September 15, 1982 at \$21.20 reducing tri-annually by \$0.20 to \$20.40 at September 15, 1994 and thereafter.

Series D
May 1, 1982 at $20.30 reducing annually by $0.15 to $20.00 at May 1, 1984 and thereafter.

Series E
Anytime at $20.00.

Series F
November 5, 1984 and thereafter at $20.00.

Series G
October 2, 1989 at $21.25 reducing annually by $0.25 to $20.00 at October 2, 1994 and thereafter.

Retraction

Series D
Retractable at the option of the holder at $20.00 on April 1, 1987.

Series E
Retractable at the option of the holder at $20.00 on April 1, 1988.

Series F
Retractable at the option of the holder at $20.00 on February 14, 1992.

Series G
Retractable at the option of the holder at $21.00 on September 29, 1989.

Purchase for cancellation

Series A
The company, annually to 1984, is obligated to offer to purchase for cancellation at a price equal to par value plus accrued dividends, the lesser of 50,000 shares or the number of shares which can be purchased by 10% of the consolidated net earnings of the prior year. Thereafter this obligation is reduced to the lesser of 5% of the number of shares outstanding at the beginning of the year or the number of shares which can be purchased by 10% of the consolidated net earnings of the prior year.

Series D
The company may at any time or times, purchase shares for cancellation in the market or by invitation for tenders at a price not exceeding the redemption price, together with accrued dividends.

Series E and F
The company may at any time or times, purchase shares for cancellation in the market or by invitation for tenders at the lowest price at which shares are available in the opinion of the directors or the duly authorized officer or officers of the company.

Series G
During each year, commencing October 2, 1989, the company is obligated to make all reasonable efforts to purchase for cancellation 4% of the number of shares outstanding at September 29, 1989 at a price not exceeding $20.00 per share plus costs of purchase.

(ii) Common shares
The maximum number of shares that may be issued is 20,000,000, of which 2,777,148 have been reserved as follows:

For warrants outstanding	1,789,915
For shareholder dividend reinvestment plan	500,000
For employee purchase and option plans	487,233
At December 31, 1982, 37,313 shares are allocated to the trustee for the employee share purchase plan. In addition, options to purchase 201,800 shares at a price of $25.11 per share are outstanding. These are exercisable for 10 years with 10% becoming eligible in each year measured from date of granting. The maximum number of shares issuable under options at December 31, 1982 is 20,180. During the year options to purchase 80 shares were exercised.	
	2,777,148

The company is a constrained share company and as such the total number of shares that can be registered and voted by any one shareholder or associated shareholders is limited to 10% of the number of voting shares.

(c) Warrants
At December 31, 1982 warrants were outstanding to purchase 40,015 common shares at $21.26 per share until December 15, 1983 (1981 - 40,015 warrants) and 1,749,900 common shares at $26.00 per share until October 2, 1987 (1981 - nil). Holders of series G preference shares at October 1, 1982, received one common share purchase warrant for each series G preference share then held. The warrants are transferable and until expiry on October 2, 1987, permit the holders to purchase an aggregate of 1,749,900 common shares at a price of $26.00 per share by tendering the warrant and either $26.00 cash or one series G preference share and $5.00 cash. The company may at any time, for an ensuing 30 day period, reduce the cash portion of the latter option to $3.00.

(d) Changes in shareholdings and contributed surplus

Year ended December 31, 1982

	Preference shares		Common shares		Contributed surplus
	Shares	Par value (in thousands)	Shares	Par value (in thousands)	(in thousands)
Balance beginning of year	5,237,356	$104,747	8,570,294	$17,141	$ 87,429
Preference shares					
Series A - cancelled	(50,000)	(1,000)			
Series B - cancelled	(77,946)	(1,559)			163
Series B - converted	(1,193,579)	(23,871)	899,858	1,800	22,051
Series B - redeemed	(15,831)	(317)			(7)
Series G - issued for cash	1,750,000	35,000			
Common shares - issued for cash			12,687	25	274
Options - exercised			80		2
Warrants - exercised			100		3
Balance end of year	5,650,000	$113,000	9,483,019	$18,966	$109,915

Year ended December 31, 1981

	Preference shares		Common shares		Contributed surplus
	Shares	Par value (in thousands)	Shares	Par value (in thousands)	(in thousands)
Balance beginning of year	3,712,095	$ 74,242	7,867,770	$15,736	$69,113
Preference shares					
Series A - cancelled	(50,000)	(1,000)			
Series B - cancelled	(2,008)	(40)			
Series B - converted	(128,647)	(2,573)	97,030	194	2,376
Series C - converted	(41,040)	(821)	33,379	67	753
Series C - redeemed	(3,044)	(61)			
Series F - issued for cash	1,750,000	35,000			
Common shares - issued for cash			572,055	1,144	15,186
Warrants - exercised			60		1
Balance end of year	5,237,356	$104,747	8,570,294	$17,141	$87,429

The weighted average number of common shares outstanding during 1982 was 8,657,758 (1981 - 8,235,487).

3. Securities

	1982		1981	
	Stated value	Market value	Stated value	Market value
	(in thousands)			
Bonds and debentures				
Canada	$ 531,390	$ 550,288	$251,159	$242,079
Provincial	268,123	269,809	230,439	227,427
Corporate	42,713	38,114	44,261	36,281
	842,226	858,211	525,859	505,787
Stocks				
Preference	391,450	370,182	392,392	372,366
Common	25,608	25,212	46,730	60,410
	417,058	395,394	439,122	432,776
	$1,259,284	$1,253,605	$964,981	$938,563

4. Non-performing loans

These consist of loans placed on a non-accrual status and real estate acquired in settlement of loans. In cases where there is doubt as to collection of either principal or interest, loans are classified as non-performing and thereafter, revenue is taken into earnings only as collected. Experience indicates that a substantial percentage of non-performing loans is realized over time without material capital loss.

	1982 (in thousands)	1982 % of portfolio	1981 (in thousands)	1981 % of portfolio
Conventional mortgages	$21,245	0.85	$15,405	0.57
Corporate term loans	13,875	1.73		
Consumer and personal loans	2,075	0.66	1,946	0.56
Collateral loans	1,481	0.84	953	0.48
Real estate acquired in settlement of loans	5,625		4,137	
	44,301	0.71	22,441	0.35
Applicable portion of allowance for investment losses	14,331		2,914	
	$29,970		$19,527	

5. Allowance for investment losses

	1982	1981
	(in thousands)	
Balance beginning of year		
Tax allowed	$ 1,669	$ 4,737
Tax paid	30,104	24,048
	31,773	28,785
Changes during year (in thousands)		
Provision charged to earnings	15,000	
Investment gains (losses)		
Securities, net of income taxes of $1,136 (1981 - $1,179)	6,893	4,605
Loans, net of recoveries of $459 (1981 - $344) and income taxes of $1,232 (1981 - nil)	(15,974)	(2,468)
Real estate acquired in settlement of loans, net of income taxes of $967 (1981 - Nil)	(2,810)	(600)
Real estate investment properties, net of income taxes of $48 (1981 - $718)	448	1,451
	3,557	2,988
Balance end of year		
Tax allowed		1,669
Tax paid	35,330	30,104
	$35,330	$31,773

6. Real estate investment properties

(a) Cost and net depreciated values

	1982 Cost	1982 Accumulated depreciation	1982 Net	1981 Net
	(in thousands)			
Properties held for development and resale				
Land	$ 34,967	$	$ 34,967	$ 28,053
Buildings	11,924	222	11,702	3,576
	46,891	222	46,669	31,629
Properties held as investments				
Land	28,718		28,718	23,289
Buildings	106,012	9,517	96,495	75,448
	134,730	9,517	125,213	98,737
	$181,621	$9,739	$171,882	$130,366

(b) Net real estate investment properties income

	1982	1981
	(in thousands)	
Land sales	$ 1,148	$16,471
Cost of land sales	1,635	11,518
	(487)	4,953
Rental income	13,516	6,616
Maintenance	4,929	3,770
	8,587	2,846
Net income before depreciation	8,100	7,799
Depreciation	675	420
	$ 7,425	$ 7,379

7. Land, premises and equipment

(a) Cost and net depreciated values

	1982 Cost	1982 Accumulated depreciation	1982 Net	1981 Net
	(in thousands)			
Land	$ 4,805	$	$ 4,805	$ 4,415
Buildings	22,505	5,212	17,293	16,308
Leasehold improvements	19,787	7,962	11,825	10,940
Furniture and equipment	37,793	15,154	22,639	12,057
Automobiles	837	307	530	415
	$85,727	$28,635	$57,092	$44,135

(b) Occupancy expense

	1982	1981
	(in thousands)	
Rent	$ 7,874	$ 6,322
Maintenance	11,442	8,395
Depreciation	2,634	2,044
	21,950	16,761
Rental income	686	209
	$21,264	$16,552

(c) Computer, furniture and equipment expense

	1982	1981
	(in thousands)	
Rent	$12,602	$ 8,561
Maintenance	1,422	1,453
Depreciation	2,845	2,413
	$16,869	$12,427

(d) The aggregate minimum rentals payable under premises and equipment leases in effect at December 31, 1982 are as follows for each of the periods shown:

	Premises	Equipment	Total
	(in thousands)		
1983 - 1987	$35,886	$9,917	$45,803
1988 - 1992	19,206		19,206
1993 - 1997	6,091		6,091
thereafter	2,260		2,260

8. Income taxes

Reconciliation of statutory and effective rates of income tax

	1982 Amount (in thousands)	1982 Rate	1981 Amount (in thousands)	1981 Rate
Earnings before income taxes	$44,601		$21,454	
Income taxes at statutory federal and provincial rates	$22,880	51.3%	$11,002	51.3%
Increase (decrease) from statutory rates				
Tax exempt investment income	(18,882)	(42.3)	(17,852)	(83.2)
Other items	296	.6	(380)	(1.8)
Income taxes reported	$ 4,294	9.6%	$(7,230)	(33.7)%

At December 31, 1982 tax losses of $48,063,000 have accumulated which, under current tax legislation, can be used to offset taxable income, if any, for up to five years following the year of loss. Generally accepted accounting principles allow accounting recognition of the tax loss carry forward through the future income taxes account as long as it is virtually certain the tax loss carry forward will be used.

Certain items of income and expense are recognized in time periods different for financial reporting than for income tax purposes. Full provision for income taxes is made in the consolidated statement of earnings using the tax allocation method and income taxes related to the following items are recorded in future income taxes in the consolidated statement of condition.

	1982	1981
	(in thousands)	
Taxes applicable to		
Excess of special mortgage reserve claimed over amount provided	$27,333	$29,249
Excess of capital cost allowances claimed over depreciation provided	20,237	17,512
Tax loss carry forward	(23,953)	(24,287)
Other items – net	10,449	8,844
	$34,066	$31,318

9. Service fees

	1982	1981
	(in thousands)	
Demand deposits	$10,225	$ 6,032
Loans	4,768	3,734
MasterCard	1,530	1,294
Foreign exchange	1,832	1,352
Canada savings bonds	5,163	5,934
Other	3,181	2,489
	$26,699	$20,835

10. Other expense

	1982	1981
	(in thousands)	
Travelling	$1,141	$1,166
Employee training and development	2,387	2,559
Non-investment losses	1,935	1,725
Charitable contributions	423	337
Miscellaneous	1,942	1,588
	$7,828	$7,375

11. Segmented information

Operations consist of the following segments:

(a) Intermediary: investment of depositors' and shareholders' funds in income producing assets together with other revenue from a variety of financial services.

(b) Fiduciary: administration of personal and pension trust assets and acting as stock transfer agent and bond trustee for corporate clients.

(c) Net real estate sales: listing and selling of residential, commercial and industrial real estate.

Contribution to earnings represents segment income less direct and allocated expenses based on cost allocation methods believed to be reasonable. The company's policy is to price inter-segment transactions below market value. These are insignificant in amount and are applied to reduce segment expense. Owned building operations have been included in the intermediary segment and rents have been charged to remaining segments for their share of operating costs. Leasehold and equipment costs have been allocated to segments based on their proportionate use.

	1982		1981	
	Income	Contribution to earnings - pre-tax	Income	Contribution to earnings - pre-tax
	(in thousands)			
Intermediary	$1,219,258	$57,144	$1,150,898	$30,227
Fiduciary	33,891	10,357	30,605	9,871
Net real estate sales	5,813	(2,836)	6,664	208
	$1,258,962	64,665	$1,188,167	40,306
Unallocated expense		(20,064)		(18,852)
Earnings before income taxes		$44,601		$21,454

12. Investment commitments

Outstanding commitments for future investments are $455,867,000 at December 31, 1982 and were $195,462,000 at December 31, 1981.

13. Pension plan

The actuarial valuation as of December 31, 1981 indicated an unfunded liability of $1,746,000 (1980 - nil). This liability was eliminated by a charge to earnings in 1982. The plan had assets at market value of $70,089,000 as of December 31, 1982 and $56,222,000 as of December 31, 1981.

Total contributions by the company in 1982 were $4,333,000 (1981 - $1,056,000). Contributions are included in pension and other benefits.

14. Remuneration of directors and senior officers

Senior officers serving as directors do not receive directors' fees. The aggregate direct remuneration, including the cost of all pension benefits, paid or payable to directors and senior officers of the company was as follows:

	1982		1981	
	Number	Amount	Number	Amount
Directors	35	$ 256,000	37	$ 205,000
Senior officers	28	2,717,000	30	2,271,000
	63	$2,973,000	67	$2,476,000

15. Related party transactions

Transactions with related parties are on terms that are equivalent to those with unrelated parties. The total of these transactions is not material.

AUDITORS' REPORT

To The Shareholders of
Canada Trustco Mortgage Company

We have examined the consolidated statement of condition of Canada Trustco Mortgage Company as at December 31, 1982 and the consolidated statements of earnings, retained earnings, contributed surplus and changes in financial condition for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial condition of the company as at December 31, 1982 and the results of its operations and changes in its financial condition for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Riddell

January 25, 1983
London, Canada

Thorne Riddell
Chartered Accountants

MANAGEMENT'S STATEMENT ON FINANCIAL REPORTING

To The Shareholders of
Canada Trustco Mortgage Company

Management has responsibility for preparing the accompanying financial statements and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and making judgments and estimates in accordance with generally accepted accounting principles in Canada.

The statements conform in all material respects with international accounting standards except for the absence of supplementary inflation-adjusted data, since an acceptable method of calculation for the trust and loan industry does not currently exist.

Ultimate responsibility for financial statements to shareholders rests with the board of directors. An audit committee of non-management directors is appointed by the board to review financial statements in detail with management and to report to directors prior to their approval of the financial statements for publication. Directors have established standards of conduct for employees to prevent conflicts of interest and unauthorized disclosure of confidential information.

Shareholders' auditors review the financial statements in detail and meet separately with both audit committee and management to review their findings. Shareholders' auditors report directly to shareholders and their report appears on the preceding page.

M.L. Lahn
President and
Chief Executive Officer

J.L. Doran
Vice-President
Comptroller

January 25, 1983
London, Canada

QUARTERLY ANALYSIS OF NET EARNINGS

(in thousands except percentages and net earnings per common share-fully diluted)

Quarter	Taxable equivalent basis: Interest rate differential	Taxable equivalent basis: Net investment income	Fees and commissions	Operating expenses	Net earnings	Net earnings per common share - fully diluted	Net earnings to average assets	Net earnings to common shareholders' average equity - fully diluted
1st	2.24%	$ 26,877	$ 8,768	$ 19,662	$ 8,165	$ .95	.73%	19.22%
2nd	2.24	28,243	7,815	19,789	8,228	.94	.70	18.64
3rd	2.09	27,918	7,386	20,513	7,653	.85	.62	16.37
4th	1.93	27,059	8,540	20,509	7,838	.87	.61	16.36
1978	2.12	110,097	32,509	80,473	31,884	3.61	.67	17.61
1st	1.55	24,256	9,747	23,302	5,404	.56	.41	10.47
2nd	1.76	27,640	8,178	23,717	6,327	.68	.45	12.35
3rd	1.63	27,545	9,020	24,026	6,485	.69	.43	12.50
4th	1.25	24,674	9,818	22,739	6,206	.61	.39	11.04
1979	1.54	104,115	36,763	93,784	24,422	2.54	.42	11.54
1st	1.11	23,644	12,117	27,218	4,274	.35	.26	6.58
2nd	1.30	27,456	9,877	27,789	5,315	.48	.30	8.62
3rd	1.66	34,585	11,351	28,882	8,607	.86	.47	14.94
4th	1.81	39,009	10,582	30,926	9,995	1.03	.54	17.57
1980	1.48	124,694	43,927	114,815	28,191	2.72	.40	11.95
1st	1.40	34,029	15,549	35,266	7,280	.71	.37	12.05
2nd	1.48	37,722	13,100	36,305	7,432	.70	.37	11.57
3rd	.94	28,755	12,889	36,540	2,667	.13	.12	2.60
4th	1.26	37,170	16,566	36,920	11,305	.99	.52	16.02
1981	1.27	137,676	58,104	145,031	28,684	2.53	.34	10.52
1st	1.31	36,779	18,270	42,078	6,288	.44	.29	7.16
2nd	1.59	43,824	14,561	41,971	7,924	.64	.35	10.29
3rd	1.87	51,851	15,054	42,229	11,789	1.00	.51	15.90
4th	2.47	65,381	18,518	44,131	14,306	1.14	.62	16.78
1982	1.81	197,835	66,403	170,409	40,307	3.22	.44	12.70

INTEREST RATE SENSITIVITY MANAGEMENT

Key to earnings performance is net investment income – the difference between income earned on investments and interest paid on deposits. Generally earnings increase if the differential widens and decrease if it narrows. The differential is strongly influenced by how sensitive investments and deposits are to changes in interest rates. Investments and deposits are categorized as "float rate" or "fixed rate". With the former, rates are subject to change at any time; with the latter they remain constant until maturity. In periods of high interest rate volatility, the amount earned on float rate investments changes rapidly while that earned on fixed rate investments changes slowly.

Current strategy is to balance float and fixed rate interest sensitive investments with like deposits, thus minimizing fluctuations in net investment income. Success in this regard may be measured in several ways.

1. Under One Year Mismatch

	1982	1981	1980	1979
	(in millions)			
Surplus (deficiency)				
Investments interest sensitive less comparably sensitive deposits				
Float rate	$ (979)	$ (876)	$ (869)	$ (919)
Fixed rate	590	342	(197)	(56)
Net mismatch	$ (389)	$ (534)	$ (1,066)	$ (975)
Total investments	$9,074	$8,486	$ 7,474	$6,303
Mismatch to total investments	4.3%	6.3%	14.3%	15.5%

2. Under One Year Rate Sensitive Investments to Total Investments – %

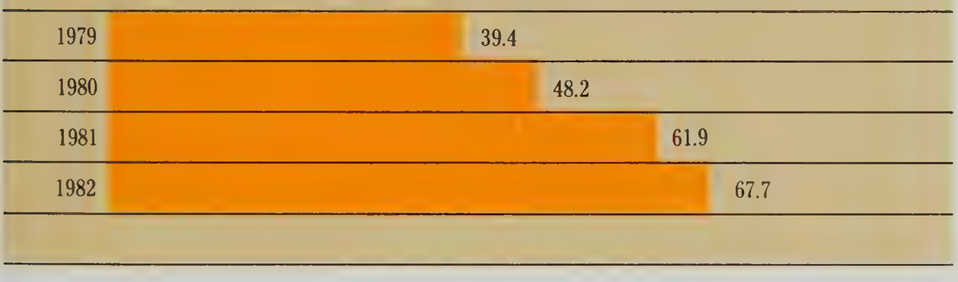


CHART 1
Shown here is the under one year interest rate sensitivity position. Deposits and other liabilities not matched by investments of similar rate sensitivity constitute the "mismatch".

CHART 2
Chart two shows growth in under one year rate sensitive investments to total investments. In volume, under one year rate sensitive investments have more than tripled over the last four years.

CHART 3
Grouped here by interest sensitivity is the year-end distribution of investments and deposits, adjusted to exclude accrued income and expense.

3. Investments and Deposits by Interest Sensitivity

	1982				1981			
	Under one year Floating rate	Under one year Fixed rate	Over one year	Total	Under one year Floating rate	Under one year Fixed rate	Over one year	Total
	(in thousands)							
Investments								
Cash and short term investments	$ 85,974	$1,382,647	$	$1,468,621	$ 63,990	$1,004,437	$	$1,068,427
Securities	426,721	254,055	554,186	1,234,962	465,243	61,742	417,826	944,811
Loans	1,961,959	2,022,133	2,187,750	6,171,842	1,495,562	2,154,296	2,664,807	6,314,665
Other		10,482	187,781	198,263		11,214	147,236	158,450
	2,474,654	3,669,317	$2,929,717	$9,073,688	2,024,795	3,231,689	$3,229,869	$8,486,353
Deposits								
Demand	3,378,441	119,251	$	$3,497,692	2,826,272	129,051	$	$2,955,323
Cashable term and term		2,960,412	2,084,850	5,045,262		2,760,602	2,285,219	5,045,821
	3,378,441	3,079,663	2,084,850	8,542,954	2,826,272	2,889,653	2,285,219	8,001,144
Non-convertible preference shares	75,000		38,000	113,000	75,000		4,000	79,000
	3,453,441	3,079,663	$2,122,850	$8,655,954	2,901,272	2,889,653	$2,289,219	$8,080,144
Surplus (deficiency) rate sensitive investments	$ (978,787)	$ 589,654			$ (876,477)	$ 342,036		

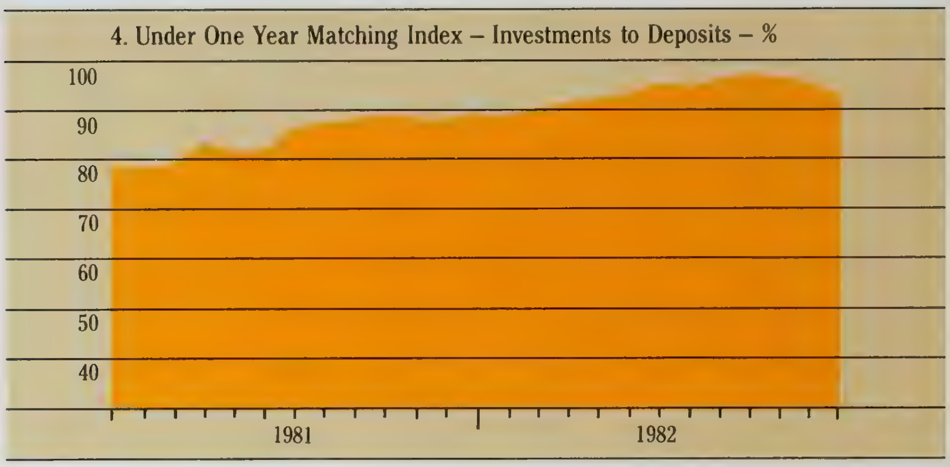
CHART 4
Considerable effort has been made over the past two years to match investments on which the interest rate is subject to change within one year with like deposits. A program was instituted in February 1981, to complete this match by December 1982. It was effectively completed in August 1982.

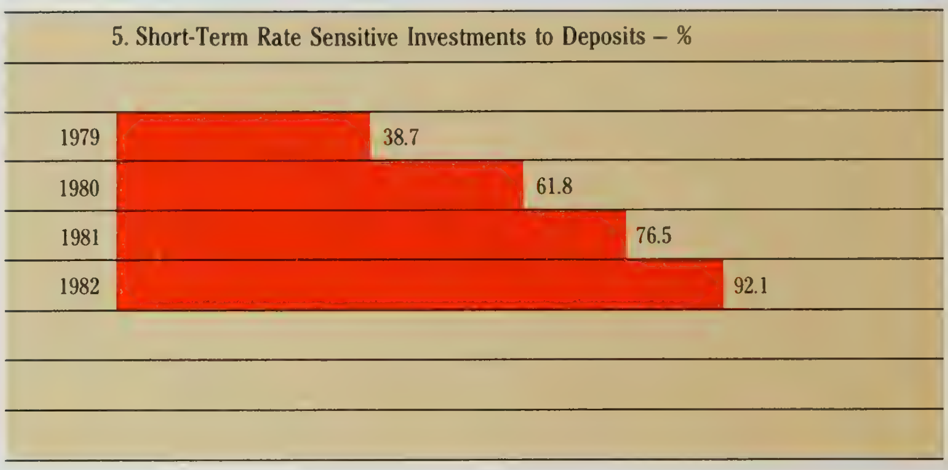
CHART 5
To measure matching within a one year horizon is important. However, substantial deposits are rate sensitive within a much shorter period. Virtually all deposits come from individuals, who in recent years have shown strong preference for demand or very short-term maturities whether fixed or floating rate. Most certificates of deposit mature within 90 days, and about 60% within one month. The average term to maturity at year-end 1982 was 35 days. Chart five depicts the extent savings deposits and certificates of deposit are matched by float rate and short-term investments. Improving the degree of matching at this level adds stability to interest differential over the short term.

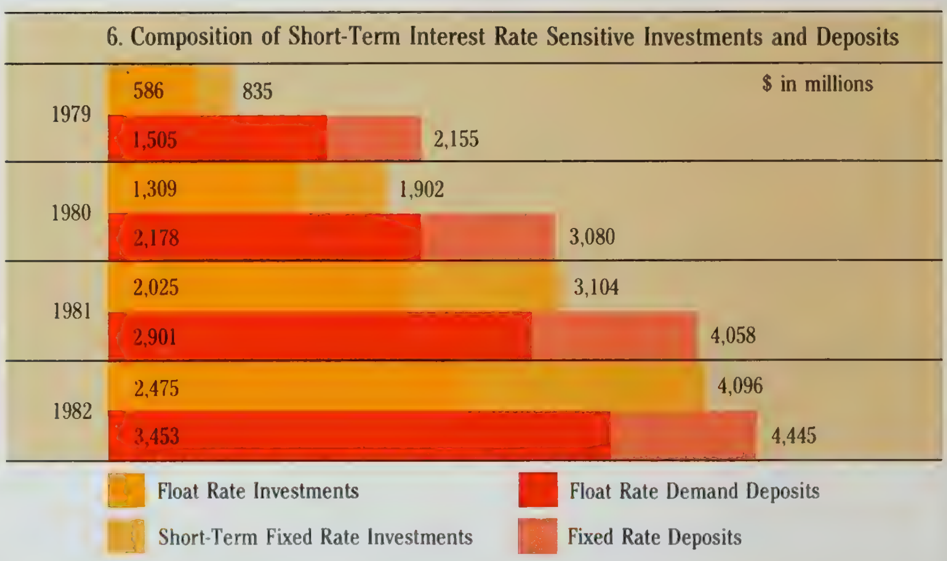
CHART 6
This composite shows short-term rate sensitive investments and deposits. At December 31, 1981 float rate deposits surpassed like investments by \$876 million and short-term fixed rate deposits surpassed like investments by \$78 million. In total, short-term rate sensitive deposits exceeded like investments by \$954 million.

During 1982 the gap was reduced to \$349 million, primarily by the net addition of \$542 million in short-term fixed rate investments.

In 1982, \$450 million in float rate loans and securities were added, bringing total float rate investments to \$2.5 billion or 27% of total investments. A significant portion of this portfolio is comprised of obligations of Canadian governments, crown corporations, major chartered banks and major Canadian public corporations. Mortgages, fully secured by real estate, account for about 60% of float rate loans to individuals.



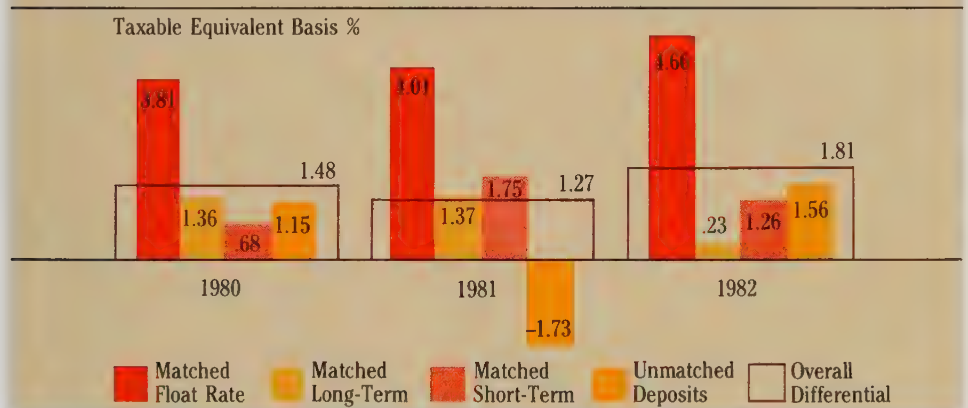




7. Composition of Float Rate Investments

	1982	1981
	(in millions)	
Canadian governments direct & guaranteed debentures	$ 174	$ 203
Canadian banks direct & guarantees – schedule A	294	259
– schedule B	114	97
Other financial institutions	217	119
Corporate loans & debt securities	726	600
Preference shares	248	258
Mortgages	411	197
Secured personal loans	95	135
Other	196	157
	$2,475	$2,025

8. Interest Rate Differential Components



9. Floating Rate Differential Components – %

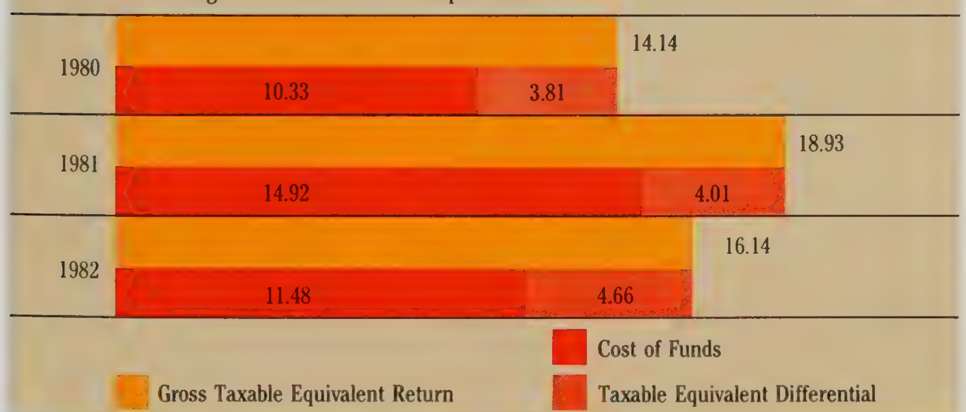


CHART 7

The average corporate investment, excluding commercial mortgages, was $18 million at December 31, 1982, compared with $18 million and $15 million at the same date in 1980 and 1981.

Size of Loan	Number	Amount
		(in millions)
Less than $10 million	31	$ 131
$10 million to $25 million	24	331
$25 million to $50 million	19	639
Greater than $50 million	3	250
	77	$1,351

CHART 8

Chart eight illustrates the average annual interest differential generated by matched and non-matched deposits. The matched deposit differential is shown for deposits that are float rate, short-term fixed rate and long-term fixed rate. Matched float rate deposits continue to be the most profitable, with differential improving in 1982 despite economic conditions.

Low profitability of unmatched deposits and matched long-term fixed rate deposits is evident. A modest difference on unmatched deposits in 1982 was a material improvement over 1981. Long-term fixed rate differential is unsatisfactory and action being taken will ensure significant improvement in future years.

CHART 9

Chart nine breaks out the floating rate differential components: average annual rate of interest earned on float rate investments on a tax equivalent basis, interest paid on deposits, and differential. Despite interest rate volatility over the past three years, the differential has steadily improved. The growing portion of matched float rate deposits adds to both the size and stability of overall differential.

INTEREST RATE DIFFERENTIAL *(in thousands)*

Interest rate differential on a taxable equivalent basis increased from an average of 1.27% in 1981 to 1.81% in 1982, as the average cost of deposits declined more rapidly than the average yield on investments. Average rates and change in interest rate differential are shown below:

	1982	1981	Increase
Investment income	$1,241,787	$1,159,358	$82,429
Interest on deposits	1,043,952	1,021,682	22,270
Differential	$ 197,835	$ 137,676	$60,159

Differential allocated to	Volume	Rate	Net
Investments	$ 89,413	$ (6,984)	$82,429
Deposits	74,668	(52,398)	22,270
Differential	$ 14,745	$ 45,414	$60,159

Interest rate differential (taxable equivalent basis)	1982	1981	Increase (Decrease)
Average investment yield	14.22%	14.30%	(.08)%
Average deposit cost	12.41	13.03	(.62)
Differential	1.81%	1.27%	.54 %

MATURITIES *(in thousands)*

INVESTMENTS

Maturity dates	Cash and short term	Securities (1)	Mortgages (2)	Other loans and investments	December 31, 1982 Total	%	December 31, 1981 Total	%
On demand and within 1 year	$1,468,621	$ 254,055	$2,235,373	$ 429,604	$4,387,653	47.8	$4,064,800	47.3
1 - 2 years		178,112	989,246	112,709	1,280,067	13.9	1,211,146	14.1
2 - 3 years		318,681	611,215	149,758	1,079,654	11.7	1,102,059	12.8
3 - 4 years		48,646	228,470	288,454	565,570	6.2	506,583	5.9
4 - 5 years		96,460	135,974	122,632	355,066	3.9	417,614	4.8
after 5 years		230,404	126,283	940,387	1,297,074	14.1	1,067,481	12.4
stocks (non-retractable)		108,604			108,604	1.2	117,131	1.4
accrued income	22,529	24,322	36,809	28,051	111,711	1.2	113,435	1.3
	$1,491,150	$1,259,284	$4,363,370	$2,071,595	$9,185,399	100.0	$8,600,249	100.0

DEPOSITS

Maturity dates	Demand	Cashable term	Term (2)	December 31, 1982 Total	%	December 31, 1981 Total	%
Payable after notice and within 1 year	$3,497,692	$ 860,456	$2,099,956	$6,458,104	73.2	$5,715,698	69.1
1 - 2 years			779,653	779,653	8.8	802,973	9.7
2 - 3 years			709,257	709,257	8.0	553,882	6.7
3 - 4 years			349,582	349,582	4.0	450,755	5.5
4 - 5 years			130,063	130,063	1.5	347,505	4.2
after 5 years			115,987	115,987	1.3	130,331	1.6
accrued interest	65,713	11,820	204,838	282,371	3.2	267,928	3.2
	$3,563,405	$ 872,276	$4,389,336	$8,825,017	100.0	$8,269,072	100.0

(1) Securities include various types of bonds, debentures, preference and common shares, all reflected at stated cost. Preference shares which have a specific redemption feature at the option of the holder are reflected in the year when the option may first be exercised.

(2) Currently, approximately 50% of term deposits are renewed at maturity. Mortgages not fully paid on maturity approximate 85% and are expected to be renewed on the same amortization schedule adjusted for any variation in interest rates.

(3) The maturities have been arranged to reflect anticipated principal repayments on mortgages, other loans, equipment leases and income averaging contracts in the years they are due.

LIQUIDITY MANAGEMENT

Liquidity management is the continuing ability to meet deposit withdrawals, deposit maturities and fund investments and other contractual commitments. Liquidity represents the total value of assets which can be converted quickly into cash to meet requirements. Two liquidity requirements have been defined. The first is by statute, the second and more stringent is financial standards as defined by the Department of Insurance of Canada. Liquidity management practices followed are more conservative than requirements. Both short and long term requirements are monitored daily and asset and liability management strategies are adopted in concert therewith.

Consolidated Liquidity, December 31 *(in thousands)*

	Approved for statutory liquidity at book value		Approved for financial standards test at market value	
Liquidity reserve	1982	1981	1982	1981
Cash	$ 110,120	$ 99,846	$ 110,120	$ 99,846
Canada and provincial securities	799,513	481,598	820,097	469,506
Eligible short term notes of original term under one year	818,183	803,379	1,582,429	959,781
	1,727,816	1,384,823	2,512,646	1,529,133
Less				
Statutory liquidity requirement, 20% of cashable and demand deposits and term deposits maturing within 100 days	998,199	888,370		
Financial standards test liquidity requirement			1,114,537	1,027,797
Surplus liquidity	$ 729,617	$ 496,453	$1,398,109	$ 501,336

LOAN LOSS STATISTICS *(pre-tax basis - net of recoveries)*

	1982	1981	1980	1979	1978
Actual loan loss experience (in thousands)					
Mortgages	$ 3,777	$ 600	$ 443	$ 759	$ (9)
Corporate term	15,000				
Financial institutions					
Consumer and personal	1,946	1,278	1,107	668	220
Collateral	260	1,190	159		
	$ 20,983	$ 3,068	$ 1,709	$ 1,427	$ 211
Loans outstanding, December 31 (in thousands)					
Mortgages	$4,363,370	$4,759,906	$4,782,826	$4,453,730	$3,697,159
Corporate term	802,836	644,229	200,451	42,858	41,509
Financial institutions	551,803	425,966	318,339	194,027	
Consumer and personal	312,587	345,361	349,882	265,145	209,289
Collateral	175,843	196,976	180,357	116,238	73,955
Non-performing	29,970	19,527			
	$6,236,409	$6,391,965	$5,831,855	$5,071,998	$4,021,912
Loan loss experience as a percentage of loans outstanding					
Mortgages	0.087	0.013	0.009	0.017	
Corporate term	1.868				
Financial institutions					
Consumer and personal	0.623	0.370	0.316	0.252	0.105
Collateral	0.148	0.604	0.088		
	0.336	0.048	0.029	0.028	0.005

CAPITAL MANAGEMENT

Capital requirements are determined by management prudence, the marketplace and federal regulation. Capital required is regulated by the deposit multiple, which limits deposits from customers to 25 times capital. Capital for this purpose is borrowing base capital which is equal to shareholders' equity, future income taxes and allowance for investment losses, less any deficiency between the book and market value of securities held and ineligible assets. The latter are primarily furniture, equipment and leasehold improvements.

CHART 1

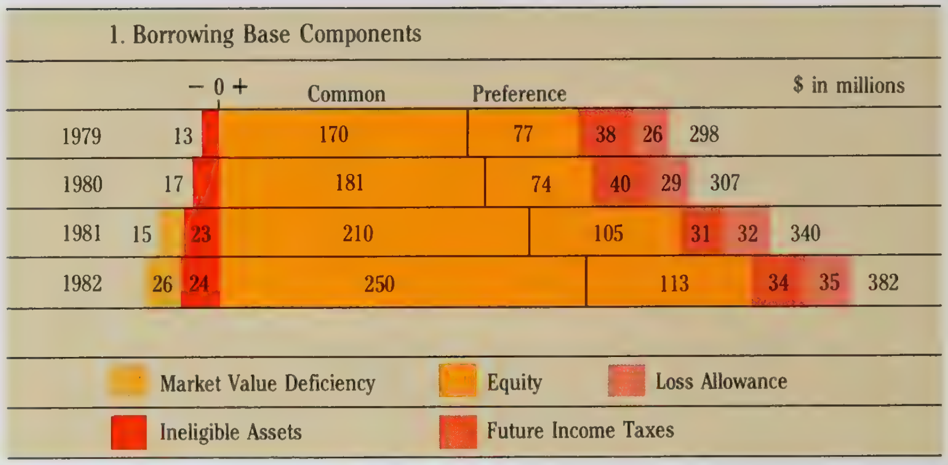
Borrowing base capital can be generated internally from operations, externally through issuance of common or preference shares or from changes in market value of securities held. During the past four years high interest rates have adversely affected earnings and ability to generate capital internally. In this period about one third of the capital increase necessary to support deposit growth came from internally generated funds. The remainder came from common shares issued in 1979, 1980 and 1981 and preference shares issued in 1981 and 1982.

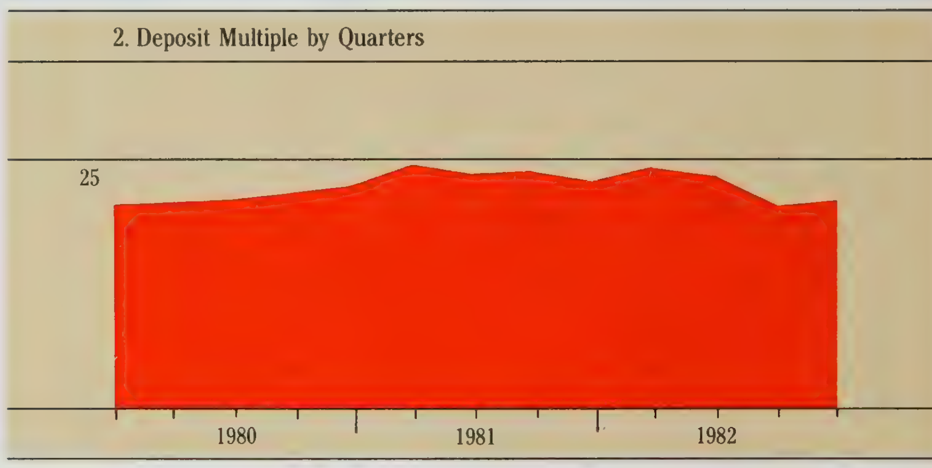
CHART 2

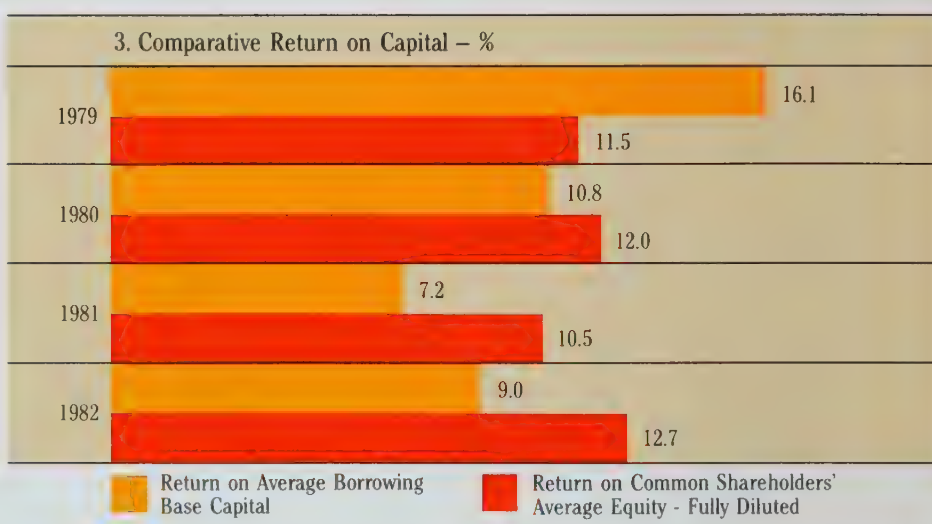
Chart two shows the actual deposit multiple on a quarterly basis. Throughout most of the 1980-1982 period it worked steadily towards the 25 times limit. The significant reduction in second half 1982 reflects improved profitability, proceeds of the most recent preference share issue and slower than average deposit growth.

CHART 3

A long-term objective is to significantly reduce the need for externally generated capital. Achieving adequate earnings is essential to success. This will, among other things, require attaining the corporate objective of earning a minimum 15% after tax return on common shareholders' average equity - fully diluted. This has been an elusive target since 1978. Moreover, the rate of return on borrowing base capital has been less than earned on common shareholders' equity as shown in chart three. Considerable improvement is required and several steps have been taken which should lead to this objective being met.







REAL ESTATE INVESTMENT PROPERTIES

TRUSCAN REALTY LIMITED, *December 31, 1982*

Property	Description	Net rentable square feet	Percent owned	Depreciated value	Appraised value	Pre-tax earnings (before intercompany eliminations)	1982 return on depreciated value (before intercompany eliminations)	
British Columbia								
Canada Trust Tower, Vancouver	Office building	565,000	25	$ 15,072,000	$ 20,850,000	$ 1,390,000	9.2%	(1)
Poco Place, Port Coquitlam	Shopping centre and office	164,000	100	16,208,000	19,500,000	1,137,000	7.0	(2)
Kennedy Heights, Delta	Shopping centre	160,000	100	11,506,000	13,500,000	1,290,000	11.2	(1)
Spall Plaza, Kelowna	Shopping centre	86,000	100	8,644,000	8,700,000	760,000	8.8	
Alberta								
Richmond Square, Calgary	Shopping centre	84,000	100	6,943,000	7,100,000	850,000	12.2	(1)
10150-100th Street, Edmonton	Office building	46,000	100	1,429,000	4,560,000	407,000	28.4	
Ontario								
City Centre, London	Office buildings	525,000	10	4,100,000	4,025,000	347,000	8.5	
Supermall, Sudbury	Shopping centre	224,000	100	10,864,000	11,162,000	1,426,000	13.1	
110 Yonge Street, Toronto	Office building	137,000	100	5,737,000	20,000,000	1,030,000	17.9	
305 King Street, Kitchener	Office building	103,000	100	1,792,000	4,250,000	467,000	26.0	
Cambridge Place, Cambridge	Office building	112,000	66	6,312,000	5,436,000	240,000	3.8	(2)
Heart Lake Town Centre, Brampton	Shopping centre	78,000	50	4,011,000	4,011,000	490,000	12.2	(1)
Byron Village Plaza, London	Shopping centre	65,000	100	4,270,000	4,107,000	178,000	4.2	
220 Dundas Street, London	Office building	64,000	100	1,047,000	3,150,000	161,000	15.4	
Eastland Plaza, Sarnia	Shopping centre	68,000	100	2,471,000	3,000,000	201,000	8.1	
60 James Street, St. Catharines	Office building	56,000	100	2,482,000	3,706,000	112,000	4.5	
Mall Road Centre, Sarnia	Shopping centre	54,000	100	3,012,000	3,850,000	389,000	12.9	
Eastwood Plaza, London	Shopping centre	38,000	100	2,295,000	3,000,000	185,000	8.1	(2)
Canada Trust Square, Brantford	Shopping centre	33,000	100	2,808,000	2,750,000	215,000	7.6	
250 Main Street, Hamilton	Office building	42,000	100	1,104,000	1,100,000	121,000	11.0	
Canada Trust Building, Guelph	Office building	32,000	100	1,951,000	1,750,000	61,000	3.1	(2)
Plattswood Centre, London	Office building	28,000	100	1,489,000	1,900,000	219,000	14.6	
Canada Trust Square, Hamilton	Shopping centre	13,000	100	1,640,000	1,775,000	157,000	9.6	
Other Locations	Office and retail	274,000	100	13,380,000	14,669,000	752,000	5.6	
		3,051,000		130,567,000	167,851,000	$12,585,000	9.6%	

Under construction	Description	Net rentable square feet/ # units	Percent owned	Cost	Cost	Projected cost at completion	Projected return on completed cost value
Ontario							
Petrosar Building, Sarnia	Office building	107,000	100	6,741,000	6,741,000	$14,000,000	13.0%
Briar Patch, Kitchener	Residential	15 units	50	1,252,000	1,252,000	1,500,000	
Byron Village, Phase 2, London	Office building	8,000	100	396,000	396,000	700,000	16.6
				8,389,000	8,389,000	$16,200,000	

Land development	Description	Lots/ units	Future acreage	Percent owned	Cost	Appraised value
British Columbia						
Stephenson Point, Nanaimo	Residential		78	50	2,113,000	1,225,000
Juniper Ridge, Kamloops	Residential	425	200	50	4,389,000	4,600,000
Saanichton Bay, Saanich	Residential	301		100	2,429,000	4,810,000
Alberta						
Midnapore, Calgary	Residential	414	223	50	14,174,000	15,050,000
Other Locations	Commercial		43	100	9,821,000	10,646,000
					32,926,000	36,331,000
					$171,882,000	$212,571,000

1. Developed or acquired in 1982 - earnings and return projected on full year basis.
2. Currently being leased.

FIVE YEAR FINANCIAL ANALYSIS, *year ended December 31*

	1982	1981	1980	1979	1978
EARNINGS (as % of income)					
Income					
Investment	94.6%	94.7%	94.4%	93.9%	93.3%
Fees and commissions	5.2	4.9	5.3	5.8	6.5
Other	.2	.4	.3	.3	.2
	100.0	100.0	100.0	100.0	100.0
Expense					
Interest on deposits and provision for investment losses	83.1	86.4	83.2	82.1	76.1
Salaries and employee benefits	7.5	6.6	7.4	8.0	8.8
Other	5.9	5.2	6.0	6.3	6.7
	96.5	98.2	96.6	96.4	91.6
Earnings before income taxes	3.5	1.8	3.4	3.6	8.4
Income taxes	.3	(.6)	.1	(.1)	2.3
Net earnings	3.2%	2.4%	3.3%	3.7%	6.1%
NET EARNINGS RATIOS					
To averaged					
Assets	.44%	.34%	.40%	.42%	.67%
Common shareholders' equity - fully diluted	12.7%	10.5%	12.0%	11.5%	17.6%
Full-time equivalent employee	$8,861	$6,134	$6,584	$6,592	$9,880
ASSETS, LIABILITIES AND EQUITY (as % of total assets)					
Assets					
Cash and short term notes	16.1%	12.5%	8.3%	7.7%	8.4%
Securities	13.6	11.2	13.1	11.3	11.9
Loans	67.5	73.9	76.7	79.2	78.1
Other investments	2.2	1.9	1.5	1.4	1.2
Land, premises and equipment	.6	.5	.4	.4	.4
	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities					
Deposits payable after notice	48.0%	47.6%	43.0%	36.9%	33.6%
Term deposits	47.5	48.0	52.9	58.4	61.2
Total deposits	95.5	95.6	95.9	95.3	94.8
Other liabilities	.2	.3	.2	.2	.2
Future income taxes	.4	.4	.5	.6	.7
	96.1	96.3	96.6	96.1	95.7
Shareholders' equity	3.9	3.7	3.4	3.9	4.3
	100.0%	100.0%	100.0%	100.0%	100.0%
RATIOS					
Loans					
To total deposits	70.7%	77.3%	80.0%	83.1%	82.3%
Shareholders' equity					
To loans	5.8%	4.9%	4.4%	4.9%	5.5%
Deposit multiple	21.16×	22.87×	22.94×	19.64×	18.64×
Preference share portion of shareholders' equity	31.1%	33.3%	29.0%	31.1%	34.9%
Dividends paid per common share as a percentage of attributable net earnings	44.0%	57.6%	53.9%	56.7%	34.5%

TABLE OF AVERAGE HOLDINGS *(in millions)*

	1982	1981	1980	1979	1978
Investments					
Cash, short term notes and securities	$2,402	$1,894	$1,477	$1,039	$ 991
Mortgages	4,444	4,746	4,515	4,004	3,370
Loans, real estate and receivables under equipment leases	1,884	1,465	857	567	297
Average investments	$8,730	$8,105	$6,849	$5,610	$4,658
Deposits					
Demand	$3,276	$2,631	$2,053	$1,578	$1,359
Cashable term	976	1,130	772	470	300
Term	4,159	4,076	3,803	3,376	2,827
Average deposits	$8,411	$7,837	$6,628	$5,424	$4,486

Computed principally on average weekly balances

FOURTH QUARTER CONSOLIDATED STATEMENT OF EARNINGS

three months ended December 31
(unaudited)

	1982	1981	% Increase (Decrease)
Investment income			
Short term notes	$ 50,489,000	$ 46,806,000	8
Securities	29,707,000	32,939,000	(10)
Mortgages	148,957,000	152,643,000	(2)
Loans and equipment leases	64,240,000	69,323,000	(7)
Net real estate investment properties	3,330,000	1,391,000	139
	296,723,000	303,102,000	(2)
Taxable equivalent adjustment	8,564,000	10,346,000	(17)
	305,287,000	313,448,000	(3)
Interest on deposits	239,906,000	276,278,000	(13)
Net investment income - taxable equivalent basis	65,381,000	37,170,000	76
Taxable equivalent adjustment	8,564,000	10,346,000	(17)
Provision for investment losses	12,300,000		
Net investment income after provision for investment losses	44,517,000	26,824,000	66
Fees			
Personal trust	2,450,000	2,276,000	8
Pension and pooled trust funds	1,008,000	926,000	9
Corporate trust	2,261,000	2,299,000	(2)
Service	10,641,000	10,052,000	6
	16,360,000	15,553,000	5
Commissions			
Real estate sales	8,776,000	4,523,000	94
Real estate sales personnel	6,618,000	3,510,000	89
	2,158,000	1,013,000	113
Other income	1,583,000	4,461,000	(65)
Earnings before operating expenses	64,618,000	47,851,000	35
Operating expenses			
Salaries, pension and other benefits	24,812,000	20,681,000	20
Occupancy	4,433,000	4,219,000	5
Computer, furniture and equipment	5,228,000	3,274,000	60
Communications	1,440,000	1,443,000	
Stationery	802,000	1,007,000	(20)
Advertising	1,499,000	1,597,000	(6)
Insurance, commissions and fees	2,164,000	1,867,000	16
Provincial taxes on capital	711,000	620,000	15
Other	3,042,000	2,212,000	38
	44,131,000	36,920,000	20
Earnings before income taxes	20,487,000	10,931,000	87
Income taxes	6,181,000	(374,000)	
Net earnings	$ 14,306,000	$ 11,305,000	27
Attributed to			
Preference shares non-convertible	$ 2,852,000	$ 1,982,000	44
Preference shares convertible	324,000	470,000	(31)
Common shares	11,130,000	8,853,000	26
	$ 14,306,000	$ 11,305,000	27
Net earnings per common share - basic	$ 1.28	$ 1.06	21
Net earnings per common share - fully diluted	$ 1.14	$ .99	15
Dividends paid per common share	$ .33	$ .33	
Net earnings ratios - annualized			
To averaged			
Assets	.62%	.52%	
Common shareholders' equity - fully diluted	16.78%	16.02%	

EXECUTIVE AND SENIOR MANAGEMENT

One of our greatest assets is the strength of management. After each name, age and number of years service is shown. Average age is 46 years and average service is 18.5 years.

*Arthur H. Mingay (63-45)
Chairman of the Board and the Executive Committee

Mervyn L. Lahn (49-28)
President and Chief Executive Officer

REGIONAL

*John D. Richardson (44-11)
Executive Vice-President
Regional Operations

PACIFIC REGION

Regional Office
Four Bentall Centre, Vancouver

Archie H. Kerr (58-23)
Vice-Chairman

W. Lindsay Somerville (40-13)
Assistant Vice-President

W. Garner Misener (42-22)
Assistant Vice-President
Manager, Vancouver Main

Kenneth G. Rennie (37-17)
Assistant Vice-President
Manager, Victoria Main

Peter A. Davidson (43-6)
Assistant Vice-President
Corporate Business Development

PRAIRIE REGION

Regional Office
3rd Street S.W. at 5th, Calgary

Derek J. Warren (51-23)
Vice-Chairman

Kenneth L. Sutherland (50-31)
Assistant Vice-President
Corporate Business Development

Kenneth J. McCubbin (44-12)
Vice-President

David B. Gregory (35-9)
Assistant Vice-President

James T. McDougall (40-16)
Assistant Vice-President
Manager, Calgary Main

David W. James (38-5)
Assistant Vice-President
Manager, Edmonton Main

Donald W. Snyder (37-16)
Assistant Vice-President
Manager, Winnipeg Main

SOUTHWESTERN ONTARIO REGION

Regional Office
Dundas at Clarence, London

A. James Scafe (50-28)
Vice-President

Robert P. Morneau (44-14)
Assistant Vice-President

Robert B. James (53-18)
Assistant Vice-President
Manager, London Main

O. Evan Whitehead (49-30)
Assistant Vice-President
Manager, Windsor Main

Douglas E. Wannamaker (46-26)
Assistant Vice-President
Corporate Business Development

MIDWESTERN ONTARIO REGION

Regional Office
King at Water, Kitchener

J. Terence Osbourne (53-26)
Vice-President

Gary L. Ford (36-13)
Assistant Vice-President

Wilfred W. Park (55-35)
Assistant Vice-President
Manager, Kitchener Main

CENTRAL ONTARIO REGION

Regional Office
Yonge at Adelaide, Toronto

G.L. (Jed) Purcell (49-1)
Senior Vice-President

Charles C. Parsons (53-20)
Vice-President

Liam S. O'Brian (54-16)
Vice-President
Corporate Business Development

George Pace (50-34)
Assistant Vice-President
Manager, Toronto Main

NORTHERN ONTARIO/ QUEBEC/ATLANTIC REGION

Regional Office
Laurier at Metcalfe, Ottawa

Leonard W. Stoll (48-30)
Vice-President

Robert D.M. Strachan (34-13)
Assistant Vice-President

W. Robert DeCelles (55-18)
Assistant Vice-President
Manager, Montreal Main

James R. Wilken (46-21)
Assistant Vice-President
Manager, Ottawa Main

HAMILTON/NIAGARA REGION

Regional Office
King at Hughson, Hamilton

Leo P. Sauve (51-19)
Vice-President

Warren C. Elliott (43-22)
Assistant Vice-President

Stephen C. Merrill (36-11)
Assistant Vice-President
Manager, Hamilton Main

HEAD OFFICE

Canada Trust Tower
Dundas at Wellington, London

CLIENT & CORPORATE SERVICES

Jack H. Speake (54-33)
Executive Vice-President

John L. Doran (46-19)
Vice-President-Comptroller

Alan K.J. Bolam (36-2)
Assistant Vice-President
Accounting Services

Philip A. Heiland (52-11)
Vice-President
Trust & Corporate Services

*Donald A. MacDonald (55-37)
Assistant Vice-President
Corporate Trust Services

J. Murray Tonge (34-6)
Assistant Vice-President
Pension Trust Services

J. Brent Kelman (40-5)
Vice-President
Data Resources

James T. Lindores (50-14)
Vice-President
Human Resources

Duncan F. Tilly (40-11)
Assistant Vice-President
Personnel Resources

Frank W. Pratt (41-16)
Vice-President
Marketing Services

Gwyn E. Williams (45-24)
Vice-President
Savings Services

D. Eric MacMillan (48-29)
Assistant Vice-President
Term & RSP Savings Services

Stan A. Martin (36-15)
Assistant Vice-President
Demand Savings Services

Sean J. McNamara (40-15)
Assistant Vice-President
Credit Card Services

Norman White (55-23)
Assistant Vice-President
Clearing Systems

Douglas R. Dolman (44-11)
Assistant Vice-President
Office Systems & Services

FINANCE & INVESTMENT SERVICES

*Peter C. Maurice (45-10)
Executive Vice-President

*W. James Blowers (49-29)
Vice-President
Trust Investments

*Christopher M. Disney (40-1)
Assistant Vice-President
Fixed Income Investments

*Bruce Hartman (41-6)
Assistant Vice-President
Equity Investments

*Raymond H. Brackstone (43-4)
Vice-President
Corporate Investments

*Richard B. Coles (36-3)
Assistant Vice-President
Corporate Loans

*Robert M. Overholt (43-12)
Assistant Vice-President
Residential Mortgages and Consumer Loans

*William C. Thornhill (35-11)
Assistant Vice-President
Loans Administration

*G.T. (Tom) Gunn (40-5)
Assistant Vice-President
Asset-Liability Management

REAL ESTATE SALES

B. Eric Minns (53-19)
Vice-President

PROPERTY INVESTMENTS

John F. Schucht (38-17)
Vice-President

GENERAL COUNSEL & SECRETARY

C. Robert Clarke (62-33)
Vice-President

CORPORATE AFFAIRS

E. Donald L. Miller (64-36)
Vice-President

AUDIT SERVICES

Robert E. Redgwell (49-24)
Vice-President

*Located at Executive Offices
Canada Trust Building
Yonge and Adelaide, Toronto

FINANCIAL SERVICES BRANCHES

Total national branches: 189
Regional branches in brackets

*Company owned
**Company has ownership interest

PACIFIC REGION (23)

BURNABY
5000 Kingsway Plaza

CLEARBROOK
Meadow Fair Plaza

KELOWNA
*Harvey at Spall

LANGLEY
Willowbrook Mall

NANAIMO
Terminal Park Plaza

NEW WESTMINSTER
700-6th Street

PORT COQUITLAM
*Lougheed at Westwood

PRINCE GEORGE
*500 Victoria Street

RICHMOND
No. 3 Road at Cook
Francis at No. 1 Road
Lansdowne Park Mall
No. 3 Road at Williams

SURREY
10310-152nd Street

VANCOUVER
**Four Bentall Centre
Cambie at 41st
Denman at Comox
41st at Yew
Main at Pender
Park Royal Shopping Centre
West Pender at Hornby

VICTORIA
*View at Broad
Quadra at McKenzie

WHITE ROCK
15137-16th Ave.

PRAIRIE REGION (28)

BRANDON
*817 Rosser Ave.

CALGARY
505-3rd Street S.W.
1217 Centre Street N.
239-8th Ave. S.W.
14th Street at Northmount
Market Mall Professional Building
5268 Memorial Drive N.E.
*Richmond Square
1201-17th Ave. S.W.
Southcentre Mall

EDMONTON
*10150-100th Street
Castle Downs Town Square
12950-82nd Street
10515-51st Ave.
Millbourne Mall
8705-156th Street

LETHBRIDGE
612-4th Ave. S.
Park Meadow Mall

MEDICINE HAT
*477-3rd Street S.E.

MOOSE JAW
*318 Main Street

RED DEER
6320-50th Ave.
50th Ave. at Bennett

REGINA
11th Ave. at Cornwall
Albert at Gordon

SASKATOON
*2nd Ave. S. at 21st

ST. ALBERT
St. Albert Mall

WINNIPEG
*Portage at Fort
Unicity Mall

Top
8705 - 156th Street, Edmonton, Alberta

Bottom
Lougheed at Westwood, Port Coquitlam, British Columbia

SOUTHWESTERN ONTARIO REGION (28)

CHATHAM
*King at 3rd
Chatham Place

LEAMINGTON
Talbot at Erie

LONDON
**City Centre Mall
Adelaide at Cheapside
Commissioners at Boler
Bradley at Ernest
*Dundas at Clarence
*Dundas at Clarke Road
Dundas at English
Dundas at Talbot
*Huron at Highbury
*Oxford near Hyde Park Road
*Oxford at Platt's Lane
*Richmond at University
*Wonderland at Sherwood Forest
Wonderland at Westmount Mall
*Wortley at Elmwood

SARNIA
*Christina at London Road
*Lambton Mall Road
Lochiel near Christina

ST. THOMAS
*Talbot at Elgin
Elgin Mall

STRATHROY
Caradoc at Ontario

WINDSOR
University at Victoria
Devonshire Mall
*Ouellette at Wyandotte
Tecumseh at Annie

MIDWESTERN ONTARIO REGION (26)

CAMBRIDGE
*44 Main Street
Franklin at Highway 8
John Galt Mall
*King at Westminster

ELMIRA
*53 Arthur Street

FERGUS
*St. Andrew at Tower

GUELPH
*Wyndham at Cork
Edinburgh at Municipal
Willow West Mall
Woolwich at Speedvale

KITCHENER
*King at Water
*Belmont at Claremont
Fairview Park Mall
Forest Hill Plaza
*King at Ontario
Market Square
Pioneer Park Plaza
Stanley Park Mall
Strasburg at Blockline

LISTOWEL
Listowel Plaza, 975 Wallace N.

OWEN SOUND
*983-2nd Ave.

STRATFORD
*Downie at Albert

WATERLOO
*Erb at King
Conestoga Mall
*Weber at Lincoln
Westmount Place

HAMILTON/NIAGARA REGION (30)

ANCASTER
Wilson west of Fiddler's Green

BRANTFORD
*King George at Charing Cross

BURLINGTON
*Brant at Caroline
Burlington Mall
Guelph Line at Upper Middle
New at Appleby Line
Plains Road at King

DELHI
Church at Queen

DUNDAS
*King at Sydenham

DUNNVILLE
*Lock at Queen

FORT ERIE
*70 Jarvis Street

GRIMSBY
Main at Christie

HAMILTON
*King at Hughson
Centre Mall
Eastgate Square
Fennell at Upper Ottawa
Fennell at Upper Wentworth
Jackson Square
King at Rosedale
*Upper James at Mohawk

NIAGARA FALLS
*Queen at St. Clair
Town & Country Plaza
Niagara Square

PORT COLBORNE
Clarence at Elm

SIMCOE
*Norfolk at Young
Simcoe Mall

ST. CATHARINES
*James at King
Grantham Plaza
Pen Centre

WELLAND
*Main at Cross

CENTRAL ONTARIO REGION (37)

BARRIE
Dunlop at Memorial

BRAMPTON
*Main at Queen
Bramalea City Centre
Shoppers' World Mall

GEORGETOWN
*Main at James

MILTON
*Main at Charles

MISSISSAUGA
*Highway 10 south of 5
Burnhamthorpe at Erin Mills
Meadowvale Town Centre
Square One

OAKVILLE
*Lakeshore at Trafalgar
Oakville Place

ORANGEVILLE
Orangeville Mall

OSHAWA
*Simcoe at King

RICHMOND HILL
Hillcrest Mall

TORONTO CENTRAL
*Yonge at Adelaide
Bloor at Bathurst
*Eglinton west of Avenue Road
*St. Clair at Yonge
Yonge at Erskine

TORONTO EAST
Shoppers' World, 3003 Danforth
Don Mills Centre
Lawrence at Burnview
Lawrence at Golf Club Road
Lawrence at Pharmacy

TORONTO NORTH
Fairview Mall
5400 Yonge south of Finch
Finch at Birchmount
Finch east of Bayview
Sheppard east of Warden
St. Andrews Plaza
Warden Woods Plaza

TORONTO WEST
- Bloor east of Royal York
- Bloor at Islington
- Richview Plaza, Eglinton west of Islington
- Markland Wood Plaza
- Royal York north of Eglinton

NORTHERN ONTARIO/ QUEBEC/ATLANTIC REGION (17)

CORNWALL
- Cornwall Square

HALIFAX
- Quinpool at Monastery

KAPUSKASING
- Model City Mall

KINGSTON
- *Princess at Wellington
- Bath at Gardiners
- Princess at Bath

KIRKLAND LAKE
- *51 Government Road W.

MONTREAL
- 800 Dorchester Boulevard W.

NEW LISKEARD
- Timiskaming Square

NORTH BAY
- Fraser at McIntyre
- North Bay Mall

OTTAWA
- Laurier at Metcalfe
- *Bank at Heron
- Richmond at Carling
- Westgate Shopping Centre

SUDBURY
- *Cedar at Durham

TIMMINS
- *Third at Cedar

Top Left
St. Andrew at Tower, Fergus, Ontario

Top Right
King George at Charing Cross, Brantford, Ontario

Bottom
Bloor at Islington, Toronto, Ontario

REAL ESTATE OFFICES

Total national offices: 84
Regional offices in brackets
*Company owned
**Company has ownership interest

PACIFIC REGION (9)
Harry J. Boyd
Regional Manager

NANAIMO
Terminal Park Plaza
PORT COQUITLAM
*Lougheed at Westwood
PRINCE GEORGE
Massey at Westwood
RICHMOND
No. 3 Road at Cook
SURREY
10310-152nd Street
VANCOUVER
**Four Bentall Centre (I.C.I.)
41st at Yew
Lonsdale at East 18th
WHITE ROCK
15133-16th Ave.

ALBERTA NORTH (9)
Les Anderson
Regional Manager

BRANDON
*819 Rosser Ave.
EDMONTON
10020-101A Ave. (I.C.I.)
Primrose Shopping Centre
Saddleback Road west of 111th Street
RED DEER
Village Shopping Centre
6320-50th Ave.
REGINA
Albert at 3rd N.
ST. ALBERT
Rivercrest Plaza, 367 St. Albert Road
SHERWOOD PARK
Sherwood Park Inn
WINNIPEG
*Pembina Hwy. at Hector

ALBERTA SOUTH (9)
Ken J. Webber
Regional Manager

CALGARY
Franklin Centre
MacLeod Trail north of Anderson
Midpark Way S.E. near MacLeod Trail
2515-90th Ave. S.W.
Ranchlands Blvd. N.W. at Nosehill
*Richmond Square
Willow Park Village
10816 MacLeod Trail
LETHBRIDGE
3rd Ave. S. near 12th
MEDICINE HAT
*3rd Street S.E. at 5th

ALBERTA COMMERCIAL DIVISION (1)
Sam Sebo
Regional Manager

CALGARY
665-8th Street S.W.

SOUTHWESTERN ONTARIO REGION (13)
Gene L. Baillargeon
Regional Manager

LONDON
*Byron Shopping Centre
*Huron at Highbury
King near Waterloo (I.C.I.)
Pall Mall at Richmond
Sherwood Forest Mall
Wellington at Bradley
Wharncliffe at Commissioners
Wonderland at Westmount Mall
NORWICH
Stover near Main
SARNIA
*Lambton Mall Road
ST. THOMAS
*Talbot at Elgin
STRATHROY
Caradoc at Ontario
WOODSTOCK
Dundas at Burtch

MIDWESTERN ONTARIO AND HAMILTON/NIAGARA REGIONS (23)
Robert C. Mair
Regional Manager

BRANTFORD
King George at Forsyth
BURLINGTON
Fairview at Walker's Line
CAMBRIDGE
Main at Ainslie
Hespeler Road at Bishop
DUNDAS
*King at Sydenham
ELMIRA
*53 Arthur Street
FERGUS
St. David at St. Andrew
GUELPH
*Wyndham at Cork
HAMILTON
Upper James south of Fennell
Centennial Parkway north of Queenston
HANOVER
10th near 7th
KITCHENER
Stanley Park Mall
*Highland Road east of Westmount
*King at Water
*King at Water (I.C.I.)
NEW HAMBURG
Peel at Huron
NIAGARA FALLS
*Queen at St. Clair
ST. CATHARINES
Welland at Clark
STRATFORD
Ontario at Waterloo
WATERLOO
Conestoga Mall
*Weber at Lincoln
Westmount Place
WELLAND
*Main at Cross

CENTRAL ONTARIO AND NORTHERN ONTARIO/ QUEBEC/ATLANTIC REGIONS (20)
Nat Green
Regional Manager

BARRIE
Dunlop at Simcoe
BRAMPTON
*Main at Queen
Bramalea Road at Steeles
GEORGETOWN
*Main at James
MISSISSAUGA
*Highway 10 south of 5
NEPEAN
1514 Merivale Road
OAKVILLE
*Trafalgar at Lakeshore
ORANGEVILLE
Broadway near First
OSHAWA
*Simcoe at Bond
OTTAWA
Westgate Shopping Centre
RICHMOND HILL
Hillcrest Mall
TORONTO EAST
Eglinton at Kennedy
Underhill north of Lawrence
TORONTO NORTH
Bayview at Cummer
Sheppard east of Warden
Woodbine north of Steeles (I.C.I.)
TORONTO WEST
Bloor near Royal York
*Eglinton west of Avenue Road
Markland Wood Plaza
Rexdale near Kipling (I.C.I.)

Village Shopping Centre, Red Deer, Alberta

Canada Trust